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Semiannual Report
Office of Inspector General
U.S. Department of Labor

October 1, 1986 - March 31, 1987

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Semiannual Report
Office of Inspector General
U.S. Department of Labor

U.S. Department of Labor
William E. Brock, Secretary

Office of Inspector General
J. Brian Hyland, Inspector General

October 1, 1986 - March 31, 1987

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INSPECTOR GENERAL'S MESSAGE

In accordance with the provisions of the Inspector General Act of 1978 (P.L. 95-452), this report summarizes OIG efforts during the past six months and highlights significant audits and investigations of Departmental programs and operations and labor racketeering cases.

I would like to express my sincere appreciation to the Secretary and the Department's senior management staff for their continuing support and interest in improving the Department's program operations. During this period, the Secretary demonstrated his commitment to improving financial management by advocating the preparation of consolidated financial statements for the Department. I was particularly gratified by the consistently positive actions taken by the Occupational Safety and Health Administration to implement recommendations to improve the program administration. This spirit of cooperation has greatly assisted my Office in fulfilling the mission intended it by the Congress under the Inspector General Act.

While statistics alone do not always adequately measure overall effectiveness, I believe some quantification of our efforts --along with the narrative discussions contained in the body of this report-- can provide some indication of it. During this reporting period, OIG accomplishments include:

> $84.8 million in audit exceptions agreed to by DOL management and disallowed as appropriate expenditures by contractors and grantees;
>
> $7.3 million in monetary recoveries resulting from fraud investigations and the opening of 1,012 cases--a record number; and
>
> $7.8 million of potential civil recoveries related to Labor Racketeering investigations.

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I want to thank each OIG employee for the continued fine work that resulted in the accomplishments described in this semiannual report. These accomplishments, including the findings and recommendations, will aid the Department in improving the efficiency and effectiveness of its programs.

J. BRIAN HYLAND
Inspector General

OVERVIEW

This semiannual report covers the activities of the Department of Labor's Office of the Inspector General for the period October 1, 1986, through March 31, 1987. During this period, audit initiatives resulted in numerous economy and efficiency findings and recommendations regarding Agency operations: the OIG issued 195 audits of program activities, grants and contracts. Investigative results continued to show an increase during this reporting period: 1,012 investigations were opened, 672 were closed and a total of 2,249 active investigations were pending at the end of March. There were 384 indictments and 423 successful prosecutions during the period. The Office of Labor Racketeering (OLR) continues its strong commitment to the investigation of corruption in employee benefit plans: this area remains its highest investigative priority. During this period, OLR investigations established a predicate for the potential civil recovery of approximately $7.8 million. There were 28 indictments and 30 convictions from October 1986 through March 1987.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA)

o Enforcement Activities Review

During this semiannual period, OIG completed an extensive review of the enforcement activities in OSHA's New York and Philadelphia Regions. Ineffective management control systems were found to have prevented OSHA from adequately assuring compliance with its own policies and procedures in the critical enforcement activities of hazards abatement, targeting and scheduling inspections, and penalty assessment. OSHA is taking corrective action to address the problems OIG identified. (See page 1.)

o Workplace Fatalities Report

A report on OSHA's handling of employers with significant histories of workplace fatalities was also issued this period. OIG found that OSHA does not identify and target for inspection those employers with significant numbers of workplace fatalities or use its nationwide fatality irspection data in citing and penalizing repeat violators. (See page 4.)

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o **Financial Management**

Financial statements have been compiled and, using GAO's Control and Risk Evaluation (CARE) audit methodology, general risk analyses have been completed for OSHA. (See pages 21 and 23.)

EMPLOYMENT STANDARDS ADMINISTRATION (ESA)

o **FECA Claims**

During this reporting period, OIG reviewed the Federal Employees' Compensation Act (FECA) claims approval and payment system to see if FECA compensation benefits were being delivered in a timely manner. Eight percent of the claimants in our sample suffered injuries expected to last more than 60 days and thus filed claims for lost wages. A separate sample of lost wages claim files showed that 50 percent of that sample had their income disrupted because of delays in processing their claims for lost wages. ESA management has taken several steps to improve case tracking and to set processing standards for timeliness. (See page 8.)

o **Investigative Activities**

OIG's investigative efforts in ESA during this reporting period resulted in 53 indictments, 35 convictions and $2,272,190 in fines, recoveries and court-ordered restitutions. These investigations focused on several ESA components including: its Office of Workers Compensation Program, in which the OIG identified and investigated those seeking unentitled benefits and professionals charging Black Lung claimants illegal fees and its Wage and Hour Division, in which the OIG entered into a formal agreement to aggressively deter waste, fraud and abuse. (See pages 39 and 41.)

EMPLOYMENT AND TRAINING ADMINISTRATION (ETA)

o **Unemployment Trust Fund**

Prior semiannual reports presented OIG's review of the Treasury Department's management of Federal unemployment tax collection and processing. The review disclosed a sizable

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overcharge for IRS services in fiscal years 1984-1986. IRS responded quickly to change its cost accounting method for the collections process. As a result, IRS has returned $30.9 million to the Unemployment Trust Fund and additional costs savings of $10 million annually should accrue to the Fund. (See page 28.)

o Unemployment Compensation

OIG continues to review the Federal share of unemployment compensation. To date, OIG has issued 41 reports, audited approximately $9.7 billion of Federal Unemployment benefits and recommended disallowances of approximately $204 million. (See page 11.)

o Federal Employees Compensation Account

During this period, a final report was issued examining billings and reimbursements to the Federal Employees Compensation (FEC) Account for benefits paid under the Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Servicemembers (UCX) programs. The Congress planned the account to be self-replenishing and, in 1982, required the Department of Defense (DOD) to begin reimbursing the account for benefits paid to ex-servicemembers by the State Employment Security Agencies (SESAs) on behalf of the military branches. OIG found that the account is not self-replenishing, and since 1981, $606 million in supplemental Federal appropriations has been required to maintain its solvency. One of the reasons is that DOD has made incomplete reimbursements to the account because of expenditure ceilings in Defense Appropriation Acts. (See page 14.)

o State Employment Security Agencies Cash Management

OIG is concerned that current policy and legislative interpretation with regard to the states' management of unemployment funds may not adequately address changes in cash management created by electronic funds transfer and modern banking practices. (See page 34.)

o Financial Management

Financial Statements have been compiled and, using GAO's CARE audit methodology, general risk analyses have been completed for ETA. (See pages 20 and 23.)

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o **Job Training Programs**

Following investigations at the Gary, Indiana Manpower Administration, three separate contractors and a former administrator were indicted for embezzlement of job training funds. The types of fraud and abuse uncovered here are similar to the problems which hampered the CETA program. A nationwide audit was initiated to discover any discernible trends. (See page 43.)

o **Unemployment Insurance Program**

Fictitious employer/employee schemes, where dummy companies are established and alleged employees subsequently file for Unemployment Insurance (UI) compensation, are a continuing threat to the UI system. Such schemes can potentially result in significant losses. Two cases, involving some 27 employees, are detailed in this report. (See page 43.)

During this reporting period, cases of Employment Service employees attempting to defraud the UI system again surfaced. Embezzlement risk is great when employees handle sizable amounts of funds. (See page 44.)

DEPARTMENTAL MANAGEMENT

During this reporting period, OIG continued its compilation and audit work with an eye toward audited financial statements for the Department. Financial management system reviews using GAO's CARE audit methodology are under way in several program agencies. The long-term goal is effective, efficient systems that routinely produce reliable financial statements and program statistics. (See page 24.)

OFFICE OF LABOR RACKETEERING (OLR)

o **Comprehensive Crime Control Act**

OLR has implemented policy and procedures to promote enforcement of the officer/convict disqualification provisions of the labor racketeering amendments to the Comprehensive Crime Control Act of 1984. These provisions remove union, benefit plan, and management officials convicted of enumerated crimes from their positions of trust

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and/or preclude them from engaging in labor-management relations. (See page 47.)

o Law Enforcement Authority

Statutory law enforcement authority for OLR special agents is a critical element missing in OLR's enforcement program, and continues to be a major legislative initiative recommended by the Inspector General. (See page 58.)

OTHER ACTIVITIES

o Legislative Assessment

Of the some 183 legislative and regulatory items reviewed this reporting period, several proposed bills and regulations may affect the operation of the OIG adversely. (See page 57.)

o President's Council on Integrity and Efficiency (PCIE)

The Office of Inspector General participated in several PCIE activities including the "Computer Systems Integrity Project" and investigative training. (See page 59.)

o Resource Management

The OIG continues to use computer technology effectively to improve the efficiency and effectiveness of its operations. New initiatives include a converted and enhanced audit tracking system and investigative computer applications. (See pages 61 and 62.)

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OFFICE OF AUDIT

During this reporting period, 195 audits of program activities, grants, and contracts were issued. Of these:

-- 25 were performed by OIG auditors,
-- 19 by CPA auditors under OIG contract,
-- 64 by state and local government auditors,
-- 83 by CPA firms hired by grantees, and
-- 4 by other Federal audit agencies.

The 195 audit reports issued during this period consisted of 18 program results audits, 47 financial and compliance audits, 2 economy and efficiency audits, 11 surveys, 1 fraud control project, 6 indirect cost audits, and 110 audits conducted under the provisions of the Single Audit Act or OMB Circular A-102, Attachment P. The Department of Labor was the cognizant agency for 65 of the Single Audit or Attachment P audits.

The Office of Audit section of this semiannual report is divided into three chapters. Chapter 1 contains information on audit activities in the Department's programs. Chapter 2 showcases a major long-term initiative, evaluating the Department's system of financial management (page 18). Audit resolution during the period is covered in Chapter 3 (page 28). Money owed the Department is separately reported later in this report followed by the Appendix which contains tables on audit activity including audit reports issued and resolved.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

The Occupational Safety and Health Administration (OSHA) is responsible for administering the Occupational Safety and Health Act of 1970. The Act was passed to assure safe and healthful working conditions and to preserve human resources. To accomplish its mission OSHA promulgates occupational safety and health standards and enforces compliance by inspecting places of employment. To administer the program for Fiscal Year 1987, OSHA has a staffing level of 2,200 and a $226 million budget.

During the previous semiannual period, OIG began an extensive review of the enforcement activities in OSHA's

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New York and Philadelphia Regions. The review, which was based on Fiscal Year 1986 data, was completed during this semiannual reporting period. In addition, a report was issued which focused on OSHA's handling of employers with significant numbers of workplace fatalities.

Special Review of OSHA Enforcement Activities

In March 1986, the Deputy Secretary of Labor requested OIG to conduct a special review of OSHA's enforcement activities in the New York and Philadelphia Regions. This request was prompted by OSHA's alleged mishandling of the abatement (elimination) of health hazards at two New York thermometer companies and an alleged bribe of a Philadelphia OSHA official.

The review of enforcement activities in both regions identified organizational weaknesses and specific issues of noncompliance with agency policies and procedures. Weaknesses were identified in automated management control reports, documenting targeting procedures (i.e., selection of high risk employers for inspection), targeting of construction employers, policy guidance on penalty assessments and internal evaluation procedures. Areas of noncompliance included documentation of abatement verification, timely performance of complaint and referral inspections, and calculation of penalty assessments. These problems were caused primarily by inadequate management oversight.

Ineffective **management control systems** prevent OSHA from adequately assuring agency compliance with its own policies and procedures in the critical enforcement activities of **abatement of hazards, targeting and scheduling inspections,** and **penalty assessment.**

-- **Management Control Systems.** Two of OSHA's primary management control systems are (1) the Integrated Management Information System (IMIS) and (2) the Internal Evaluation Program. The IMIS, due to its interim stage of development, did not meet overall management needs to effectively control enforcement activities. The Internal Evaluation Program did not always identify and correct organizational weaknesses which exist at the area office level.

-- **Abatement of Hazards.** Assuring abatement is the cornerstone of OSHA's enforcement activity. The review disclosed that OSHA's policy did not require

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documentation verifying abatement via followup inspections or appropriate notification from employers. Even where there was documentation of abatement verification, it was sometimes not obtained until long after the established abatement deadline had passed.

-- **Targeting and Scheduling Inspections.** Targeting and scheduling inspections are critical to effective resource utilization in a program where limited enforcement resources must cover about 6 million workplaces. OSHA's policies and procedures did not require appropriate documentation to ensure the integrity of OSHA's construction targeting practices. The number of planned health inspections of high risk workplaces was insufficient and inspections in response to serious complaints were not performed in a timely manner.

-- **Penalty Assessment.** The review disclosed that OSHA needs to clearly communicate its national policy regarding the purpose and role of penalties or negotiating settlements with employers. In addition, field offices do not consistently follow established procedures for calculating penalties.

Management's Corrective Actions To Date

When the allegations of mismanagement in the New York Region were made, the Acting Assistant Secretary for OSHA appointed a management review team to evaluate them. This team provided OIG with an initial overview of the OSHA program, training in OSHA policies and procedures, and identification of significant enforcement issues. Close coordination existed during the course of the review and contributed to the development of OIG's report.

OSHA is taking corrective action to address the problems OIG identified as well as those identified by its own management review. Specifically, based on the audit report issued during the last semiannual period, OSHA promulgated a major change in its Field Operations Manual to clarify its policies regarding the management of long-term abatement cases containing "Petitions for Modification of Abatement" dates. OSHA also made key personnel changes in selected area offices (including the Manhattan, Queens, and Philadelphia Area Offices) and within the New York Regional Office.

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OSHA's Handling of Employers with Significant Histories of Workplace Fatalities

A review of selected OSHA case files disclosed that a particular electrical contractor had 19 known fatalities and 30 associated safety violations across the country between 1975 and 1984. A review of national data revealed that at least 20 other employers had similar or even worse histories of workplace fatalities. These reviews led to the conclusion that OSHA does not: (1) identify and target for inspection those employers with significant numbers of workplace fatalities, and (2) use its nationwide fatality inspection data in citing and penalizing repeat violations.

The Occupational Safety and Health Act provides that OSHA is to cite and severely penalize (up to $10,000 per violation) employers who willfully or repeatedly expose workers to hazardous or unhealthful workplace conditions. The OIG report recommended that OSHA: (1) target for inspection those employers with significant histories of workplace fatalities, and (2) routinely use all available inspection data in citing and penalizing such employers.

In responding to the draft report, OSHA indicated it would consider a targeting program based on fatalities at the beginning of the next Fiscal Year (October 1987). OSHA stated that such a program may not be workable at the scheduling point but did not give any reasons why. OIG feels strongly that such a proactive targeting program should not be delayed.

OSHA agreed to use national fatality data in assessing penalties against employers, but these penalties would be imposed only after the field office conducted its regularly scheduled inspections.

OFFICE OF LABOR-MANAGEMENT STANDARDS

The Office of Labor-Management Standards (OLMS) enforces the provisions of laws which establish certain rights for union members in private sector, Federal, and postal unions. These rights include proper handling of union funds, safeguarding union assets, provisions for reporting and disclosure of certain financial transactions and administrative practices of labor organizations and employees, and imposition of union election provisions. The Fiscal Year 1987 budget totals $23 million with authorized staff of 440.

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Survey of the Compliance Audit Program

OIG completed a survey of the revised Compliance Audit Program (CAP) administered by OLMS. CAP is a streamlined audit/investigative approach designed to detect embezzlements and other Labor-Management Reporting and Disclosure Act (LMRDA) criminal and civil violations. In the March 1984 semiannual report, OIG indicated that CAP did not appear to be effective and stressed the low number of embezzlements identified through the CAP process.

In response, OLMS revised the CAP handbook in July 1985 and provided additional CAP training to its field staff. The current followup survey was designed to determine whether CAP is: (1) meeting its stated objectives, and (2) whether those objectives result in efficient and economical LMRDA enforcement.

Based on this followup work, OIG concluded that CAP is effective in meeting its stated objectives to: (1) uncover and report deviations from the LMRDA and the Department's implementing instructions; (2) establish an OLMS enforcement presence in the labor organization environment; and (3) provide compliance assistance to union officials.

However, analysis of the results generated by the program led to the conclusion that **CAP is not a very effective, efficient, or economical tool** to carry out these objectives. While CAP does uncover and report violations, those violations uncovered at local labor organizations do not appear significant. LMRDA enforcement would be enhanced by reallocating a portion of the OLMS staff used for "blanket" application of CAP at local labor organizations to other more effective strategies. Also, the enforcement presence and compliance assistance accomplished through the on-site visits could be achieved and possibly expanded using less labor-intensive approaches.

The review encompassed 136 CAP cases resulting in 212 violations. Of the cases reviewed, 62 (or 46 percent) represented labor organizations having annual receipts of less than $50,000. Analysis of the 212 reported violations showed that approximately 80 percent had no material effect on the organization's financial position and represented no material loss to the membership. Most of the violations related to the unions not maintaining adequate records, filing deficient annual financial reports, and failing to file a copy of their updated constitution or bylaws. In the relatively few instances where significant violations

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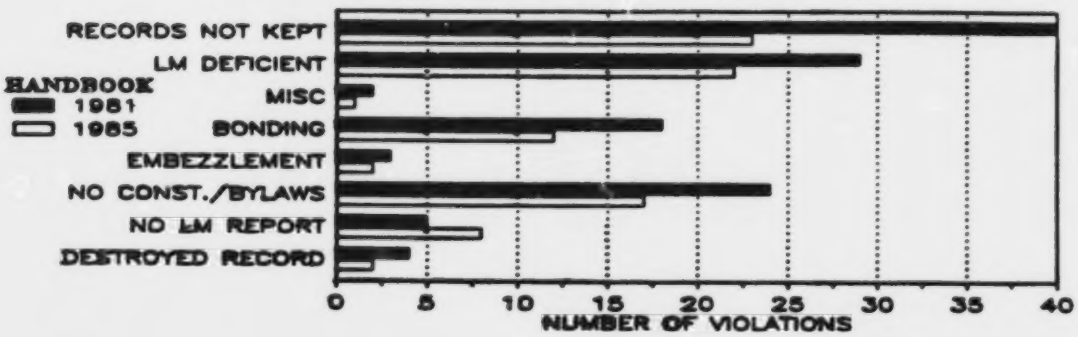
occurred, at least 50 percent of them were known prior to the on-site CAP review, and half of these violations resulted because the union failed to obtain appropriate bonding.

OIG compared the results obtained using the revised CAP procedures to results obtained under original CAP procedures. This was done to determine if changes in numbers, distribution, or types of violations had occurred. As shown in the following chart, no significant difference exists.

COMPLIANCE AUDIT PROGRAM VIOLATIONS



OLMS stated that it did not agree with the conclusion that the majority of LMRDA violations uncovered by CAP are "insignificant". Notwithstanding their disagreement, OLMS concurred with the report's recommendations and agreed to:

-- Substantially reduce the number of CAP on-site reviews at local labor organizations.

-- Conduct a pilot program in Fiscal Year 1987 to test the effectiveness of auditing unions for a 3-year period rather than a 1-year period.

-- Conduct a pilot program to more effectively use computer capability for targeting, analysis, and identifying delinquencies and report deficiencies.

-- Implement a number of initiatives to place greater responsibility upon international unions to monitor local affiliates' compliance with LMRDA requirements.

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MINE SAFETY AND HEALTH ADMINISTRATION

The Mine Safety and Health Administration (MSHA) administers the provisions of the Mine Safety and Health Act of 1977. The program is designed to reduce the number of mine-related accidents and fatalities and achieve a safe and healthful environment for the nation's miners. Approximately 5,585 coal and 11,600 metal/nonmetal mining operations are under MSHA's jurisdiction. For Fiscal Year 1987, MSHA has a staffing level of 2,909 and a $156 million budget.

Management of Government-Owned Vehicles

In the last semiannual, OIG reported on the survey of MSHA's management of its fleet of over 1,500 government-owned vehicles (GOVs). OIG recommended, and MSHA agreed, to change its internally developed GOV utilization standard and to reconsider its policy that all enforcement personnel must use GOVs. As of the end of March 1987, MSHA had returned 69 GOVs for an estimated annual cost saving of $102,672.

EMPLOYMENT STANDARDS ADMINISTRATION

The Employment Standards Administration (ESA) is composed of three program offices: the Office of Workers' Compensation Programs (OWCP), the Office of Federal Contract Compliance Programs (OFCCP), and the Wage and Hour Division.

- -- OWCP administers three laws providing compensation and medical benefits, primarily for on-the-job injuries and occupational diseases, to civilian employees of the Federal Government, coal miners, and longshore and harbor workers.

- -- OFCCP administers an Executive Order and portions of the statutes which prohibit Federal contractors from engaging in employment discrimination and require affirmative action to ensure equal employment opportunity.

- -- Wage and Hour enforces minimum wage and overtime standards, establishes wage and other standards for Federal contracts, and enforces aspects of other employment standards laws.

During this period OIG reviewed the Federal Employees' Compensation Program claims approval and payment system. OIG is in the process of reviewing ESA's Office of Federal Contract Compliance Programs' enforcement operations and

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performing a financial management review of ESA which will be reported in later semiannual reports.

Federal Employees' Compensation Program

The Federal Employees' Compensation act (FECA) is the sole form of workers' compensation available to Federal employees who suffer on-the-job injury or occupational disease. The Department of Labor administers the Act, but all Federal agencies influence how effectively it is implemented.

In Fiscal Year 1987, FECA's staffing level is 913 with a $46.3 million budget. The appropriation for Federal employees' compensation benefits totals about $1.2 billion. Approximately 48,800 claimants will receive long-term benefits and another 68,000 Federal employees will receive continuation of pay for short-term job-related injuries.

During this reporting period, OIG completed a review of the FECA claims approval and payment system to determine whether it is delivering FECA compensation benefits in a timely manner to Federal employees who become disabled as a result of work-related injuries. OIG reviewed FECA claims processing activities to determine the timeliness of the submission and processing of FECA claims. OIG also mailed questionnaires to both injured employees and their supervisors to analyze the reasons for untimely claims processing and delay in payment of benefits.

A sample of 278 cases in three district offices disclosed that 92 percent of the claimants in the sample filed only for short-term disability benefits, i.e., continuation of pay, sick leave, annual leave, or medical benefits. These claimants did not subsequently file a claim for lost wages with OWCP. Our review of case files did not disclose that these claimants experienced any notable delays in obtaining their benefits.

Eight percent of the claimants in the sample suffered injuries expected to last more than 60 days and thus filed claims for lost wages. Frequently, these claimants experienced significant delays in receipt of benefits for periods of temporary disability.

To fully analyze the population who filed claims for lost wages, a separate sample involving 248 claimants was taken. Results disclosed that 50 percent of these claimants (126 of 248) had their income disrupted because of delays in processing their claims for lost wages.

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These delays are primarily attributable to both employing agency and OWCP practices.

Employing Agencies contributed to delays by:

-- not communicating to disabled employees their responsibilities for filing claims; and

-- not submitting forms and information in a timely manner to OWCP.

OWCP contributed to delays by:

-- not consistently indicating a specified "due date" by which claimants should provide required additional information;

-- not processing a claim when sufficient information existed in the case file; and

-- not moving in a timely manner to establish causal relationship (the medical relationship between the disability and employment factors) and resolve conflicting medical evidence.

Delays in claims processing, resulting in income interruption, take on added significance considering that 23,400 claimants are expected to file claims for compensation for lost wages in Fiscal Year 1987.

Several recommendations were made to OWCP to improve the timeliness of the present FECA claims processing system, as summarized below.

-- Improve communications, including general information and accessibility of claim forms, among OWCP, employing agencies, and claimants.

-- Improve employing agency assistance to injured employees in submitting information to OWCP.

-- Strengthen procedures for monitoring employing agencies' performance in fulfilling their FECA responsibilities and providing technical assistance to those employing agencies most in need of such assistance.

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-- Improve claimant and employing agency response time to OWCP requests for information.

-- Shorten the time needed to resolve conflicts in medical opinions and establish causal relationship.

ESA management stated that timeliness of claims processing and prompt payment of compensation have been major OWCP priorities for several years. ESA also identified several actions, including the following, they have taken which have improved the timeliness of claims processing.

-- Establishment, as a program priority, of case tracking and adjudication when established timeframes for processing have been exceeded.

-- Establishment of a call-up system for FECA District Offices to contact employing agencies in cases where disability is expected to exceed 45 days.

-- Identification of timely payment improvement as a productivity initiative under the President's Productivity Improvement Program.

-- Adoption in Fiscal Year 1987 of a standard for processing 75 percent of wage loss claims within 14 days and 85 percent within 45 days of receipt.

According to OWCP, these initiatives have resulted in significant reductions in the number and age of unprocessed claims in their inventory. OWCP advised that, for example, their average in-process caseload has been reduced by 46%, overall, since 1984 and the number of in-process cases over 6 months old is down 75% since 1985.

EMPLOYMENT AND TRAINING ADMINISTRATION

The Employment and Training Administration (ETA) administers programs to enhance employment opportunities and provide temporary benefits to the unemployed through employment and training programs authorized by the Job Training Partnership Act (JTPA), the Work Incentive (WIN) program authorized by the Social Security Act, the Unemployment Insurance (UI) program, the Trade Adjustment Assistance Act and the Employment Service authorized by the Wagner-Peyser Act. In Fiscal Year 1987, authorized staffing is 1,781 and ETA's budget is $29.9 billion. Of that amount, $25.6 billion is for the UI Trust Fund, $3.7 billion for JTPA, $326 million

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for Older Workers, $110 million for WIN, and $176 million for Trade Readjustment Allowances (TRA).

Unemployment Insurance Program

The Social Security Act of 1935 authorized the Unemployment Insurance (UI) program as a support system for workers who have suffered a loss of employment and who are available for work. The UI program is a unique Federal-state partnership that is based upon Federal law, but is implemented through individual state legislation.

The states are responsible for operating the program. They are free to set the parameters of their operations provided they conform to broad Federal guidelines. The program is administered at the state level by the State Employment Security Agencies (SESAs) in the 50 states and three other entities (District of Columbia, Puerto Rico and the Virgin Islands). At the Federal level, the Unemployment Insurance Service (UIS) of ETA is charged with ensuring proper and efficient administration of the UI program.

Federal Share of the Unemployment Compensation Program

OIG continues to review the Federal share of the unemployment compensation (UC) program. The Federal share of the UC program comprises benefits paid to Federal (UCFE) and ex-military (UCX) personnel, the Federal portion of the Extended Benefits (EB) program, and benefits originating from the federally funded Federal Supplemental Compensation (FSC) and CETA Public Service Employment (PSE) programs.

The objectives are to determine the validity and accuracy of federally supported unemployment benefit charges reported by the states to the Department of Labor for the period October 1, 1981 through September 30, 1984.

Federal benefits paid by 42 SESAs are being reviewed. To date, OIG has issued 41 reports (35 final and 6 draft) and has audited approximately $9.7 billion of Federal unemployment benefits.

OIG has recommended $204 million for disallowance. Of the amount recommended for disallowance, nearly $190 million relates to the EB program. To date, ETA has issued 25 Findings and Determinations disallowing $73.2 million. Fifteen states have already refunded $12.3 million of this

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amount. Ten states have appealed ETA's final determinations to an Administrative Law Judge and one appeal has been settled.

During the next 6 months it is expected that all remaining reports will be issued. Upon completion of the individual state audits, the reports in aggregate will be analyzed to identify any systemic problems which can be addressed by the Congress, ETA or the states.

Management of Billings and Reimbursements of UCFE/UCX Charges

During this period a final report was issued examining billings and reimbursements to the Federal Employees' Compensation (FEC) Account for benefits paid under the Unemployment Compensation for Federal Employees (UCFE) program and the Unemployment Compensation for Ex-Servicemembers (UCX) program.

In 1980 Congress established the FEC Account within the Unemployment Trust Fund (UTF) to pay UI benefit costs to former Federal employees. Federal agencies were to reimburse the FEC Account quarterly for benefits paid to their former employees.

The Congress planned that the Account would be self-replenishing, which means that reimbursements from Federal agencies should approximate expenditures. In 1982, Congress added the requirement that benefits paid to ex-servicemembers by the SESAs would be billed to the parent Federal agency.

To facilitate direct payment to the UCFE and UCX claimant, SESAs are authorized to draw down funds directly from the FEC Account upon request. SESAs pay benefits to these claimants and report the amounts paid to ETA quarterly by Federal agencies. ETA summarizes these reports and bills each employing Federal agency for the benefit costs.

The objective of the review was to determine whether UCFE/UCX reported costs, billings, and reimbursements were done timely and accurately.

OIG found that the FEC Account did not become self-replenishing until July 1, 1984. Since 1981, $606 million in supplemental Federal appropriations has been provided to maintain the FEC Account's solvency. An estimated expenditure of $252 million of this total could

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have been avoided with better management. A primary consequence of these supplemental appropriations is to increase Federal borrowing, interest costs, and thus the national debt.

Additional appropriations were needed because: (1) Federal agencies did not make complete or timely reimbursements to the account; (2) SESAs did not accurately or timely report UCFE/UCX benefit costs; and (3) ETA's control over input data for billings could have been improved.

Currently, ETA does not have a means to ensure that Federal agencies pay the amounts billed. Although government-wide procedures for promptly reimbursing the FEC Account have been established, they are often ignored. Instead, some Federal civilian and military agencies have implemented improper administrative procedures that allow them to withhold payments until each individual claimant's charges are validated.

In the case of DOD, incomplete reimbursements have been made to the FEC Account partly as a result of expenditure ceilings contained in Defense Appropriations Acts. DOD's current outstanding balance is approximately $43 million.

ETA was aware of the deficiencies in the operation of the FEC Account and has made some progress to resolve them. For example, ETA has made significant progress in reducing the states' time delays in reporting the UCFE/UCX benefit cost. Additionally, ETA implemented the Treasury Department's automatic intergovernmental collection system in November 1986.

Although progress has been made, it is recommended that ETA:

-- intensify its efforts to seek resolution of administrative and appropriation issues which contribute to late and incomplete reimbursements,

-- monitor and provide technical assistance to SESAs to ensure accurate and timely reporting of Federal benefit costs, and

-- establish internal controls in the National Office to reconcile billings to cost reports.

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Unemployment Compensation Program for Ex-Servicemembers (UCX)

During this reporting period OIG concluded a review and issued a final report on the Unemployment Compensation Program for Ex-Servicemembers (UCX). Federal law authorizes the payment of up to 13 weeks of benefits to eligible ex-military servicemembers.

DOL has overall responsibility for operating the UCX program. Through agreements with the Secretary of Labor, SESAs are responsible for administering the UCX program to establish claims, determine eligibility and pay benefits. To coordinate the claims payment process, DOL has contracted with the Louisiana Claims Control Center (LCCC) to operate a clearing center for information on ex-servicemembers. The military branches provide initial discharge documents to the LCCC and respond to subsequent inquiries. The military branches reimburse states for the costs of benefits paid to claimants.

The survey's objective was to determine whether the UCX verification system, established by DOL to facilitate proper and timely identification of eligible claimants, was working.

OIG found that the UCX verification system, as designed, facilitates prompt payment of UI benefits to eligible ex-military claimants. However, some state agencies and branches of the military are not using the system properly.

SESAs have not fully implemented the verification system because they do not believe the system is credible. OIG found that this lack of credibility exists because SESA and LCCC data contain errors, the verification process is time-consuming, personnel are not properly trained, and management places a low priority on the verification system. Additionally, ETA has not provided sufficient oversight to ensure the proper use of the verification system by the states or military agencies.

UCX user resistance to implementation has resulted in the system's failure to identify and disqualify ineligible claimants and improper multiple state claims. In California alone, improper payments of $650,000 were made to ineligible claimants between 1980 and 1985. Improper multiple state claims caused an error rate of approximately 15 percent in claims reviewed.

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It was recommended that ETA:

-- ensure that all states provide adequate UCX system training and require that the system operate as designed, and

-- actively explore the possibility of a centralized automated interface with DOD to transfer data on prior military servicemembers.

This last recommendation would greatly streamline discharge data receipt and processing.

ETA responded positively to the report promising to issue instructions to the SESAs regarding proper implementation of the current program and to explore with DOD the automated transfer of data from the military branches.

DEPARTMENTAL MANAGEMENT

Departmental management refers to those activities and functions of the Department which formalize and implement policies, procedures, systems, and standards to ensure efficient and effective operation of administrative and managerial programs. The Assistant Secretary for Administration and Management has oversight responsibility.

During this period, reviews were completed on information resources management and are under way in the financial management system. (See Chapter 2.)

Information Resources Management

Information Resources Management Overview

Planning for and acquiring ADP resources is a critical management activity because each year millions of dollars are expended on information resources. The Department of Labor's information technology budget for Fiscal Year 1987 is $110 million.

Information resources management (IRM) is considered a high audit priority. During this reporting period, OIG completed: (1) an audit of the Mine Safety and Health Administration's (MSHA) management of information resources, and (2) a comprehensive audit program for monitoring agencies' system development efforts.

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MSHA's Information Resources Management Can Be Improved

In Fiscal Year 1986, MSHA's IRM budget was $7.4 million. Since the Department's overall IRM strategy has been to decentralize IRM responsibilities to the agency level, OIG reviewed MSHA's process for planning, budgeting and acquiring IRM resources.

It was determined that (1) MSHA's lines of authority, delegations of responsibility and IRM accountability were not clearly delineated; (2) procedures and guidance to be used in planning for and acquiring IRM resources needed to be developed; and (3) specific guidance needed to be developed to assure the accurate compilation of IRM budget data. MSHA management officials were in general agreement with the findings and are taking action to resolve the issues reported.

Developing A Framework to Monitor Agency System Development Efforts

A comprehensive audit program for monitoring agency system development efforts has been developed which covers the major phases in the system development life-cycle: (1) planning and initiation; (2) acquisition and procurement; (3) project administration; (4) design and development; (5) programming; (6) testing and conversion; and (7) implementation. This program provides OIG's audit staff and departmental managers with a basic framework for testing any or all phases in the system development life-cycle -- the objectives being to assure that new computer-based systems are in the best interest of the Government, properly controlled, implemented at a reasonable cost, and auditable.

FECA Level II Followup

The Office of Audit's representative to the Federal Employees' Compensation Act (FECA) Data System Evaluation Project (FDSEP) Steering Committee continues to provide technical advisory assistance to develop a strategy for designing, developing and implementing a new FECA automated system to replace the existing, obsolete ADP hardware. Essentially, the approach recommended by the Steering Committee is to procure new equipment and convert the existing FECA system. To the extent practical, ESA would utilize off-the-shelf software and coordinate with the Department on its financial planning system. ESA and the Department concurred with the recommended strategy.

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OIG will continue to provide technical assistance and, as appropriate, continue to monitor the development of this system.

Financial Management

Inspector General's Activities Under FMFIA

The Inspector General has both an **oversight role** and a **technical assistance role** in the Department's Federal Managers' Financial Integrity Act (FMFIA) process.

In an **oversight role**, audit plans should provide evaluations of internal controls in the Department's agencies. As described in Chapter 2, audit coverage of internal controls has been enhanced by systematic reviews of financial and management information systems and the financial statement audit project.

OIG's **technical assistance role** during this reporting period included several activities. OIG representatives helped revise the Department's internal control process to meet new OMB Circular A-123 requirements and develop a financial management systems review guide. OIG also worked with the agencies to ensure that the financial management workplan was appropriately reflected in their Management Control Plans.

The General Risk Analyses of ETA, OSHA, and the Offices of Inspector General and the Comptroller help the agencies identify and evaluate vulnerable areas. They should be integrated with agencies' own management risk assessments of their operations required by OMB Circular A-123. (See Chapter 2 for more details.)

The compilations of financial statements for ETA and OSHA have provided the agencies with valuable technical advice and assistance in complying with GAO and Treasury accounting and reporting standards, thus, facilitating the agencies' compliance with OMB Circular A-127. (See Chapter 2 for details.)

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CHAPTER 2 -- WORKING WITH MANAGEMENT, SUBSTANTIAL PROGRESS HAS BEEN MADE TOWARD AUDITED FINANCIAL STATEMENTS FOR THE DEPARTMENT

During this reporting period, OIG continued its major financial management initiatives (discussed in the previous semiannual report) including:

-- **Financial Statements: Compilation and Audit**

-- **Financial Management Systems: Reviews**

The Secretary of Labor endorsed the financial statement compilation and audit project and thus provided the high level support needed to make such an ambitious project succeed. Toward this end, financial statements have been compiled for two of the Department's major program agencies -- Employment and Training Administration (ETA) and Occupational Safety and Health Administration (OSHA) -- for management's review. Financial statement compilation and audit work continues toward the goal of audited financial statements for the Department.

Financial management system reviews, using GAO's Control and Risk Evaluation (CARE) audit methodology, have proceeded. General Risk Analyses have been completed for ETA and OSHA, as well as for the Offices of Inspector General (OIG) and the Comptroller. These analyses provide a financial management profile of the agencies including an inventory and risk ranking of financial management and related management information systems. Systems work continues in these and other agencies.

SECRETARY OF LABOR ANNOUNCES FINANCIAL STATEMENTS AUDIT PROJECT TO TREASURY SECRETARY, OMB DIRECTOR, AND COMPTROLLER GENERAL

On November 13, 1986, the Secretary of Labor, in a letter to the Secretary of Treasury, Director of OMB, and Comptroller General, conveyed his commitment to improving financial management within DOL. He announced that OIG would audit the financial reports and statements of selected program agencies within the Department and assist in the preparation and audit of consolidated financial statements for the Department for Fiscal Year 1986. He noted that this effort would facilitate full implementation of Treasury's revised

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financial reporting requirements as well as GAO's Federal generally accepted accounting principles (GAAP). Also, the statements would ensure the reliability of reported data and identify necessary systemic changes.

The Assistant Secretary for Administration and Management and the Comptroller of the Department have key departmental leadership roles for financial statements, and OIG is working closely with them, as well as program agency officials, to make this project succeed. OIG's joint participation with management in structuring and auditing financial statements is the first of its kind for a major cabinet level Department.

GAO is supporting, and actively involved in, the Department's financial statement project. Progress to date on this project represents a significant step toward the Comptroller General's stated goal of audited financial statements for departments and agencies and ultimately for the consolidated financial statements of the Federal Government.

FINANCIAL STATEMENTS: FINANCIAL STATEMENTS COMPILED FOR ETA AND OSHA.

DOL, like many Federal departments and agencies, has never prepared a full set of financial statements in accordance with GAAP. To facilitate the Department's compliance with Federal GAAP and related Treasury reporting requirements, financial statements for the Department and selected program agencies for Fiscal Year 1986 are being compiled in accordance with the Secretary of Labor's goal. OIG has compiled financial statements for **ETA** and **OSHA.**

Departmental and program agency management are now reviewing the compiled financial statements which will be the basis for audits of the agencies' financial statements.

Compilation work has also begun in **OIG** and the Employment Standards Administration (**ESA**).

Nature of the Compilation Process

"Compilation" is the process used by independent accountants to present information which represents management in the form of financial statements. Standards for compilation have been established by the American Institute of Certified Public Accountants.

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The compiled statements include the four statements required by GAO's Federal GAAP, which are consistent with the reports required by Treasury:

-- Statement of Financial Position,

-- Statement of Operations,

-- Statement of Changes in Financial Position, and

-- Statement of Reconciliation to Budget Reports.

The starting point for the compilation process is the Reports of Financial Position (Form TFS 220) for each DOL program agency, required by Treasury, and prepared by the Department. All compiled statements are reconciled to the Department's General Ledger and detailed accounting records of the agencies.

The compiled statements provide a full summary-level picture of the financial effects of the programs administered by the reporting entity and show readers the overall operations of the entity. They contain information on fixed assets (helping in capital budgeting and replacement programs), receivables and liabilities (helping in short- and long-term cash management and budgeting), cost data (helping in assessing performance), and cumulative results of operations (helping in assessing performance on a trend basis over a number of years).

Employment and Training Administration

Financial statements have been compiled for ETA for Fiscal Year 1986. The statements were prepared on a consolidated basis and show assets of $42 billion and expenses of $23 billion. This includes assets of $35.5 billion and expenses of $18.5 billion related to the Unemployment Trust Fund (UTF). The Consolidated Statement of Operations presents expenses by program, office, object class and type. Supplemental schedules summarize the agency's financing and investing activities by fund type, including the General Fund (salaries and general expenses), Special Fund, and the UTF.

A limited number of adjustments were made for some departures from GAAP including an adjustment to include the UTF on the financial statements. The UTF is not currently included in the Department's General Ledger or in the Department's Report on Financial Position submitted to

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Treasury. The compilation report noted departures from Federal GAAP for which adjustments have not been made, including:

-- The financial statements do not include a consolidated statement of changes in financial position for the year because the prior year (Fiscal Year 1985) statements were not prepared.

-- Approximately $145 million of property, plant and equipment were stated at fair market value rather than at historical economic cost.

-- A liability for future benefits under the Federal Employees' Compensation Act (FECA) has not been recorded.

Many of these departures should be eliminated as a result of corrections made during the audit process. However, additional disclosures for departures, or adjustments to correct departures, also may be required.

Occupational Safety and Health Administration

For OSHA the four required financial statements were prepared for Fiscal Years 1985 and 1986. The statements show assets of $52 million and expenses of $203 million for Fiscal Year 1986. In addition, a number of management reports were prepared on financial activity of the agency's directorates, regions, laboratories, and training facility. Expense information was provided by budget activity, object class, and type. Finally, supplemental financial reports prepared on an appropriation basis were presented.

In the compilation, two types of adjustments were proposed. The first was to update the account balances for all financial activity as of September 30, 1985 and 1986. The second was to present the financial information on a GAAP accrual basis, in addition to the appropriation basis, of accounting. Examples of these types of adjustments include:

-- Recording an operating supplies inventory of $786,284, instead of recording the supplies as an expenditure when purchased. However, this adjustment was based on an inventory taken 5 months subsequent to year-end which may differ from a true year-end inventory in accordance with Federal GAAP.

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-- Establishing an allowance account for bad debt expense, with accounts receivable of $8,854,247 and an allowance for bad debts of $4,386,659 as of September 30, 1986.

-- Recording an unfunded liability for FECA benefits of $18,036,496 as of September 30, 1986, using ESA's estimating methodology. However, this estimate is not actuarially determined as required by GAAP.

Additional adjustments will be made in the audit. All departures from GAAP may not be eliminated by the audit, primarily because of lack of data.

Ongoing Compilation Projects

Prototype financial statements and management reports were developed for OIG and the financial statements are now being compiled. Prototype financial statements are also being developed for ESA and for the Department as a whole. Because Federal GAAP does not establish specific reporting formats, these prototype formats (which meet the general requirements of GAAP) are designed to meet individual agency needs.

FINANCIAL MANAGEMENT SYSTEMS: GENERAL RISK ANALYSES COMPLETED FOR TWO PROGRAM AGENCIES AND THE OFFICES OF INSPECTOR GENERAL AND THE COMPTROLLER.

General Risk Analyses have been completed for **ETA, OSHA, OIG** and the **Office of the Comptroller.** The next phase, Transaction Flow Review and Analysis, is in process in these organizations. General Risk Analyses are in process in the **Office of Assistant Secretary for Administration and Management** and **ESA.**

Nature of System Review Methodology

The General Risk Analysis produces a financial management profile of the organization including an inventory and risk ranking of systems and the organization's mission, funding, and organization structure. High risk systems are selected for more detailed review, thereby effectively targeting scarce audit resources.

Systems which accumulate programmatic statistics, as well as systems which track dollar input, are necessary to support the financial management process. Application of the CARE

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audit methodology evaluates the management information systems, as well as purely financial (dollar measurement) systems.

Employment Training Administration

ETA's management structure consists of 234 identifiable financial and management information systems, which support the four phases of the financial management process:

-- 8 systems (3.4%) are used in the development of plans and programs,

-- 17 systems (7.3%) are used in formulating the budget,

-- 134 systems (57.3%) are used in budget execution, and

-- 75 systems (32%) are used in the audit and evaluation process.

Using GAO's risk ranking methodology, 7 systems were ranked high risk, 204 ranked medium, and 23 ranked low. In order to facilitate ETA's review process under the Federal Managers' Financial Integrity Act, the systems were also matched with the 16 functions the Department has identified for OMB Circular A-123 requirements.

Occupational Safety and Health Administration

OSHA's management structure consists of 17 identifiable financial and management information systems, which support the four phases of the financial management process:

-- 3 systems are used in the development of plans and programs,

-- 2 systems are used in formulating the budget,

-- 13 systems are used in budget execution, and

-- 10 systems are used in the audit and evaluation process.

Several systems support multiple phases of the process. Using GAO's risk ranking methodology, 7 systems were ranked high risk, 4 ranked medium, and 6 ranked low.

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Office of Inspector General

OIG's management structure consists of 16 identifiable financial and management information systems, which support the four phases of the financial management process:

-- 6 systems are used in the development of plans and programs,

-- 6 systems are used in formulating the budget,

-- 9 systems are used in budget execution, and

-- 13 systems are used in the audit and evaluation process.

Several systems support multiple phases of the process. Using GAO's risk ranking methodology, 6 systems were ranked high risk, 5 ranked medium, and 5 ranked low. In order to facilitate OIG's review process under the Federal Managers' Financial Integrity Act, the systems also were matched with the 16 functions the Department has identified for OMB Circular A-123 requirements.

Office of Assistant Secretary for Administration and Management

The OASAM review was divided into three projects:

-- Office of the Comptroller

-- Procurement Function

-- All Other Activities

The General Risk Analysis has been completed for the Office of the Comptroller and work in the remaining two areas should be completed soon.

Office of the Comptroller

The Comptroller's Office is responsible for establishing policies, standards and procedures necessary to comply with the laws and regulations governing DOL's accounting and financial management information systems, operating the DOL accounting system and for providing the Department with direction, advice and technical assistance concerning budget formulation, justification and execution.

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The Comptroller's Office is responsible for 18 identifiable financial and management information systems. Department-wide activities are supported by 15 systems. Two systems support OASAM activities. The remaining system supports only the Comptroller's Office. OIG found that:

-- 4 systems are used in the development of plans and programs,

-- 3 systems are used in formulating the budget,

-- 7 systems are used in budget execution, and

-- 9 systems are used in the audit and evaluation process.

Several systems support multiple phases of the process. Using GAO's risk ranking methodology, 9 systems were ranked high risk, 7 ranked medium, and 2 ranked low. In order to facilitate OASAM's review process under the Federal Managers' Financial Integrity Act, the systems also were matched with the 16 functions the Department has identified for OMB Circular A-123 requirements.

Employment Standards Administration

A review in ESA was begun recently. ESA is one of the Department's major program agencies with a budget authority in Fiscal Year 1986 of approximately $2.4 billion including its trust fund activity. A financial management profile is being developed through the General Risk Analysis. At completion of the General Risk Analysis, the audit effort will focus on those high risk systems which materially affect the financial statements. By narrowing the work in this manner, the audit of financial statements will be expedited.

WHAT'S NEXT?

The Secretary's immediate goal is audited financial statements for the Department for Fiscal Year 1986. Such an audit will help achieve the longer term goal of effective, efficient systems that routinely produce reliable **financial statements** and **program statistics**.

Using compiled **financial statements** as a starting point, statements of the three largest program agencies (ETA, ESA, and OSHA) and OIG for Fiscal Year 1986 will be audited.

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These agencies account for approximately 98 percent of the Department's funding, as shown below:

FISCAL YEAR 1986 BUDGET OF DOL AGENCIES (IN MILLIONS)

AGENCY	FY 1986 ACTUAL	% OF TOTAL 1/
PROGRAM AGENCIES		
Employment and Training	**$26,646**	**92.4**
Employment Standards	**1,502**	**5.2**
OSHA	**208**	**.7**
MSHA	145	.5
Bureau of Labor Statistics	151	.5
Labor-Management Standards	55	.2
OLMS		
PWBA		
DEPARTMENTAL MANAGEMENT		
Office of Inspector General	**37**	**.1**
Other	95	.3
TOTAL	$28,839	100.0
SEPARATE REPORTS -- TOTAL	**$28,393**	**98.4**

1/ May not add due to rounding.

Relying on these four audits and audit tests in the remainder of the Department, OIG will issue an audit report on consolidated financial statements for the Department for Fiscal Year 1986.

Financial statement audits include evaluations of the internal controls of the financial management systems which materially affect the financial statements. Using the CARE audit methodology, evaluations will continue of systems identified as high risk in the General Risk Analysis, and internal control reports will be issued in conjunction with the financial statement audit reports.

Routine annual financial statement audits of the Department are envisioned in future years. After the Fiscal Year 1986 audit, these financial audits should be more timely and cost effective. Also, after the first or second year of compiling and auditing financial statements, the Department and the program agencies should be able to compile their own financial statements.

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Financial statement audits, repeated periodically (annually), discipline the accounting systems to provide the most reliable data by testing the agencies' and the Department's consistency in applying accounting, reporting, internal control and other applicable standards.

In addition to reviews of financial management systems, reviews of management information systems which generate critical program statistics are continuing. As with financial statements, reports of program statistics will be subjected to the audit process to determine their reliability.

With reliable financial data and program statistics, valid comparisons can be made between financial input and programmatic output for effective decision-making.

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Audit Resolution Activity
($ millions)

Period Ending	Audit Reports Resolved	Amount Disallowed	Amount Allowed	Total Resolved
9/30/85	387	$29.0	$39.9	$68.9
3/31/86	241	$27.2	$21.8	$49.0
9/30/86	337	$15.0	$14.1	$29.1
3/31/87	223	$84.8	$38.6	$123.4

Detailed information on audit resolution activity for the period may be found in the appendix to this report.

SIGNIFICANT RESOLUTION ACTIONS

Management Commitments to Recover Funds

Following are examples of significant resolution actions taken by program officials, which resulted in the disallowance of costs claimed by the Department's contractors and grantees:

Federal Unemployment Tax Collecting and Processing (Audit Report No. 09-4-534-03-315) -- The Federal Unemployment Tax Act (FUTA) levies a Federal tax against employers to fund state and Federal administration of the unemployment insurance program. The Department of Labor (DOL), Internal Revenue Service (IRS), and the Financial Management Service (FMS) of the Department of the Treasury share responsibility for management of the FUTA tax system. Under Title IX of the Social Security Act, the Secretary of Treasury withdraws funds from the Unemployment Trust Fund (UTF) to support the Treasury Department's responsibilities under the various unemployment compensation laws.

OIG's audit of Treasury's charges for services related to the FUTA tax system's management disclosed that the IRS's accounting and billing systems for FUTA activities do not assure fair and equitable charges against the UTF for IRS services. As indicated in the last semiannual report, an

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estimated $24.9 million had been overcharged to the UTF for Fiscal Years 1984-1986.

The IRS response to the finding was extremely positive. IRS changed its method of costing for the collections process. As a result, an estimated $10 million annual cost savings should result for the UTF. The Treasury Department has informed OIG that they have returned $30.9 million to the UTF for IRS administrative charges related to Fiscal Years 1984-1986. This is $6 million more than had been estimated in overcharges for these fiscal years.

State of Missouri, Unemployment Compensation Fund (Audit Report No. 04-85-088-03-315) -- ETA disallowed almost $6 million in cost exceptions in the Federal share of unemployment compensation. These disallowances included:

-- $5,921,741 caused when the state overclaimed EB due to failure to timely implement the "Suitable Work and Work Search" requirement, incorrect reporting, and overpayment of interstate EB claims;

-- $47,514 due to the state's overreporting CETA Public Service Employment Benefits; and

-- $29,435 due to the state's incorrect reporting of EB on combined wage claims.

State of Alaska, Unemployment Compensation Fund (Audit Report No. 04-85-098-03-315) -- ETA disallowed $2,997,733 in the following questioned costs:

-- $2,711,823 which resulted when the state overcharged the Federal share of EB;

-- $119,907 which occurred when the state overcharged Federal Supplemental Compensation Program benefits because overpayment recoveries were not credited to the program;

-- $52,904 which occurred when the state overcharged the Federal share of EB on combined wage claims;

-- $42,900 which resulted when the state overpaid EB interstate claims; and

-- $70,199 which resulted when the state could not document the validity of several UCFE and UCX claims.

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State of South Carolina, Unemployment Compensation Fund (Audit Report No. 04-85-062-03-315) -- ETA disallowed $2,695,699 in cost exceptions because the state overcharged the Federal share of EB. These disallowances included the following:

-- $2,203,771 resulted from untimely state enactment of EB work search provisions;

-- $473,987 because the state failed to deduct from its reported EB share the combined wage claim reimbursements from other states;

-- $15,713 because EB payments exceeded claimants' allowable EB maximum benefit amounts; and

-- $2,228 resulted from EB payments exceeding twice the allowable weekly benefit amount to claimants who moved to states not on EB.

State of New Jersey, Unemployment Compensation Fund (Audit Report No. 02-86-040-03-315) -- ETA disallowed over $2.4 million in cost exceptions in the Federal share of unemployment compensation. These disallowances addressed the following:

-- $1,817,559 resulted from the state's previous inability to determine actual overcharges versus estimated overcharges to the UCFE and UCX programs; and

-- $599,768 resulted from benefit overpayment recoveries which were not credited to Federal programs.

Essex County, CETA programs (Audit Report No. 02-84-061-03-345) -- ETA disallowed $921,066 in cost exceptions because of unresolved subrecipient audits.

DC Department of Employment Services Fiscal Years 81-82 (Audit Report No. 03-6-012-03-325) -- ETA disallowed $374,478 in questioned costs which resulted from inadequate documentation.

The audit report also disclosed 23 administrative findings. Since report issuance, the agency has taken or plans corrective actions which should correct and strengthen accounting and administrative controls.

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Municipality of Carolina, CETA programs (Audit Report No. 02-83-422-03-345) -- ETA disallowed $272,038 in cost exceptions, including:

-- $1,466 in excess wages and fringe benefits paid in excess of documented hours worked and accrued leave time;

-- $1,740 in bank charges for overdrawn accounts;

-- $70,076 in costs for materials because the Municipality did not comply with Federal and state competitive procurement laws and regulations; and

-- $198,756 in unresolved subrecipient audits.

Compliance Review of Virginia Employment Commission's DVOP Program (Audit Report No. 11-6-061-03-325) -- In September 1986, OIG reported that the Assistant Secretary for Veterans Employment and Training Service had received complaints that the Virginia Disabled Veterans Outreach Program (DVOP) had ineligible personnel occupying DVOP positions. It was determined that the complaints were valid and $81,936 was recommended for disallowance. OIG also found that the grantee had delayed filling DVOP positions and had, therefore, not spent $234,064. The grantee had neither reported the unexpended balance nor returned the unexpended funds to the Department. The $234,064 was recommended for disallowance. During this reporting period, the entire $316,000 has been disallowed by the Grant Officer.

The disallowance of the $234,064 is significant because of its potential for broader application. Eleven other grantees were identified which also may have delayed filling DVOP positions for the fiscal period under review. These grantees also may have inappropriately retained unexpended funds. Potential recovery in these states exceeds $6 million.

With the precedent of disallowance established, similar reviews will be performed in these 11 states to determine the recoverable amount from each grantee.

Illegal and Improper Use of SESA Funds by Georgia DOL Employees (Audit Report No. 04-5-026-03-325) -- The Georgia Department of Labor Employment Security Agency was examined for the period September 1, 1980 through October 31, 1985, to determine the amount of misspent Federal funds resulting

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from illegal and improper activities by agency employees and to make recommendations for the recovery of these funds. ETA disallowed $93,915 and the Georgia agency has repaid the entire debt.

The illegal activities were disclosed by state and Federal investigations and subsequent court proceedings involving the former Commissioner of Labor and 43 other agency employees. The examination showed that agency employees were allowed to perform services outside the scope of their official duties. Certain employees were paid their salaries while performing work on private property owned by an agency official. Other employees worked on political campaigns and solicited political contributions during work hours. The Federal cost for employee wages and fringe benefits related to these improper activities amounted to $78,688. Employees overstated travel expenses and claimed unofficial travel reimbursements by $15,227.

Management Commitments to Remedy Administrative Problems

Non-monetary audit recommendations are important because they direct attention to improving internal controls and operating procedures. They also propose shifting program emphasis and policy direction and making legislative or regulatory changes. Corrective actions constitute reasonable remedies and include descriptions and timetables of specific actions taken, completion dates, and evidence to prove recommendations were implemented.

Following is a discussion of two significant areas which need administrative or legislative remedy:

UI Experience Rating

The experience rating method of Unemployment Insurance (UI) taxation, as originally passed by Congress, was devised to assign tax rates to employers based on that employer's unemployment experience. Higher tax levels are assigned to employers who experience higher layoffs.

For the past 21 months, OIG has attempted to resolve the experience rating audit which was issued August 16, 1985. The audit report cited an overall decline in the level of experience rating and recommended that ETA revise experience rating reporting requirements in the SESAs. The revisions would provide data for the Secretary of Labor's annual certification that state UI laws are based on the experience rating concept. This certification is currently required

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(Federal Unemployment Tax Act, Section 3302(b)) as a prerequisite for a state's employers to receive an offset credit against their Federal unemployment tax liability.

While ETA management responded to the final audit report citing Federal-state partnership sensitivities and questions about the desirability of establishing 100 percent experience rated systems, they said they could not pursue corrective action because they wanted to have their own "independent" review of the experience rating issues performed. OIG agreed to wait.

Their review, which took 10 months to perform and was sent to us 8 months after originally promised, basically concurred with the recommendations regarding reporting changes and the usefulness of an Experience Rating Index (ERI) to measure the existent degrees of experience rating in the states' UI tax systems. Instead of moving to implement various recommendations, ETA then decided that the OIG-recommended structure of the ERI was inappropriate.

After a series of meetings which resulted in an apparent impasse, OIG sent a memorandum to ETA's Assistant Secretary on November 24, 1986, citing the unacceptability of an unreconciled and unverifiable ERI. The memorandum requested a meeting to gain resolution prior to elevating the issue to the Deputy Secretary of Labor.

ETA responded on December 12, 1986, with a memorandum stating that experience rating reporting changes necessary to construct an ERI for each state would be forwarded to OIG and the Office of Management and Budget by early January 1987. Additionally, ETA agreed that a format to reconcile and verify the ERI would be forthcoming by the end of June 1987.

After the close of this reporting period, OIG obtained a copy of an ERI proposal developed by ETA which was put into ETA clearance in March 1987. Under this proposal, an experience rating index for the 1988 rate year will be available in June 1988. This proposal will be transmitted to OMB for approval as soon as DOL clearance is completed. OIG has not had an opportunity to review this proposal and cannot comment at this time on the design of the index.

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SESA Cash Management Issues

OIG is concerned that current policy and legislative interpretations do not recognize modern banking procedures, are contrary to existing practices, and do not allow states' Unemployment Trust Funds to benefit from available earnings. In December 1983, improvements were recommended in the states' management of unemployment funds. Since the report was issued, cash management problems continue to surface.

OIG's current focus is somewhat different from the past. The concern now is that current policy may not adequately recognize the changes in cash management created by electronic funds transfer and modern banking practices.

The fundamental concept of cash management is the time value of money. Effective cash management dictates money be put to work. Even where cash is managed within the requirements of the Social Security Act and directives of the Department, significant revenues are earned from investment of "float" in Benefit Payment Depository Accounts. Float is cash remaining on deposit in bank accounts between the time benefit checks are disbursed (written) and the time checks are cleared by the depository bank.

Presently all excess float (which is defined as amounts beyond that necessary to pay the administrative costs of serving or maintaining state UI accounts) is invested to the benefit of some entity -- a banking institution, state general funds or state UI funds. A mechanism should exist which allows investment of float to benefit only the state's unemployment funds.

OIG does not disagree with requirements of Titles III and IX of the Social Security Act or long-standing departmental policy that cash in state UI Benefit Clearing Accounts may not be held by a state for self-directed investment purposes. However, current policy is being examined by OIG to determine if changes should be recommended to allow/require investment earnings on unavoidable float at the state level to be returned to the states' unemployment funds. Change may be necessary to accommodate business practices which were not envisioned when the Social Security Act was passed.

Current ETA policy (which is based on the ETA Solicitor's interpretation of the Social Security Act) prohibits entities, other than the Department of the Treasury, from

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investing unemployment funds including float held in state accounts.

OIG concerns have been communicated to ETA and the Department of the Treasury. ETA has engaged a contractor to review the cash management/banking areas and to develop alternatives for incorporating current technologies and banking practices into SESA cash management operations.

To supplement the UIS review and to document the funds presently being lost to the states' unemployment funds, OIG intends to initiate a review in selected states. In the review, OIG will evaluate the effect of current policy on state unemployment fund earnings, recommend approaches to reduce interest losses, and, if necessary, propose legislative changes.

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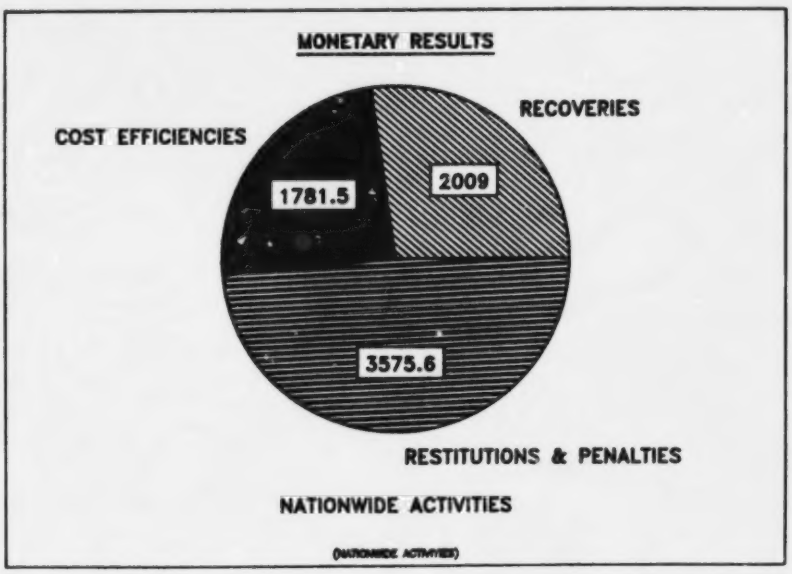
OFFICE OF INVESTIGATIONS

"Government owes its birth to the necessity of preventing and repressing the injuries which associated individuals have to fear from one another. It is the sentinel who watches, in order that the common laborer be not disturbed." --Raynal

The mission of the Office of Investigations (OI) is to investigate allegations of waste, fraud and abuse in a manner that warrants the highest degree of public confidence. A continuous search is being made for new, more efficient and effective means by which to accomplish this mission.

OI continues to show an increase in its investigative results. During this reporting period, 1,012 investigations were opened; 672 were closed, and a total of 2,249 active investigations were pending at the end of March 1987. Investigative efforts resulted in 384 indictments and 423 successful prosecutions during the period.

The following chart details the distribution of monetary accomplishments for this period.



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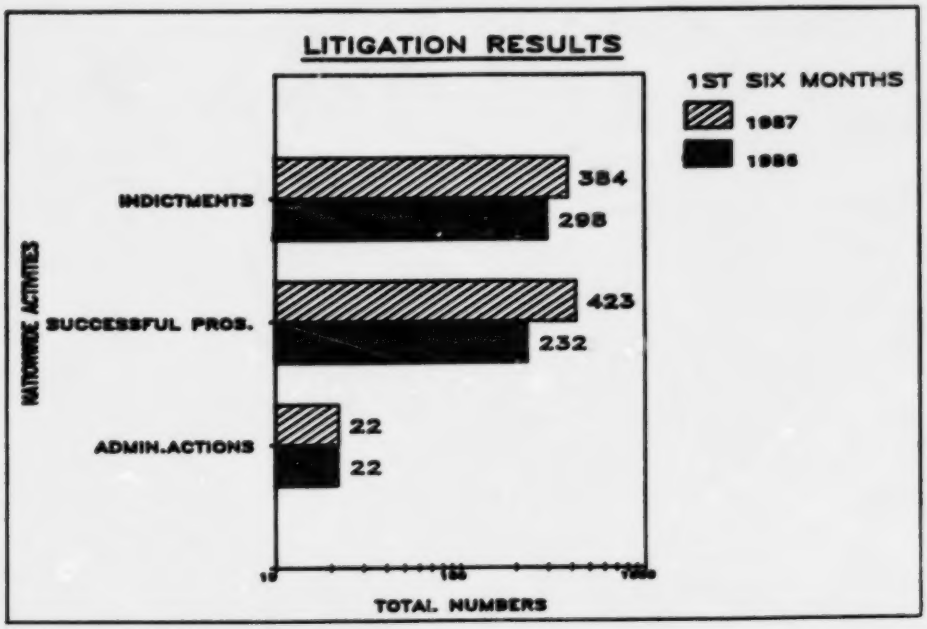
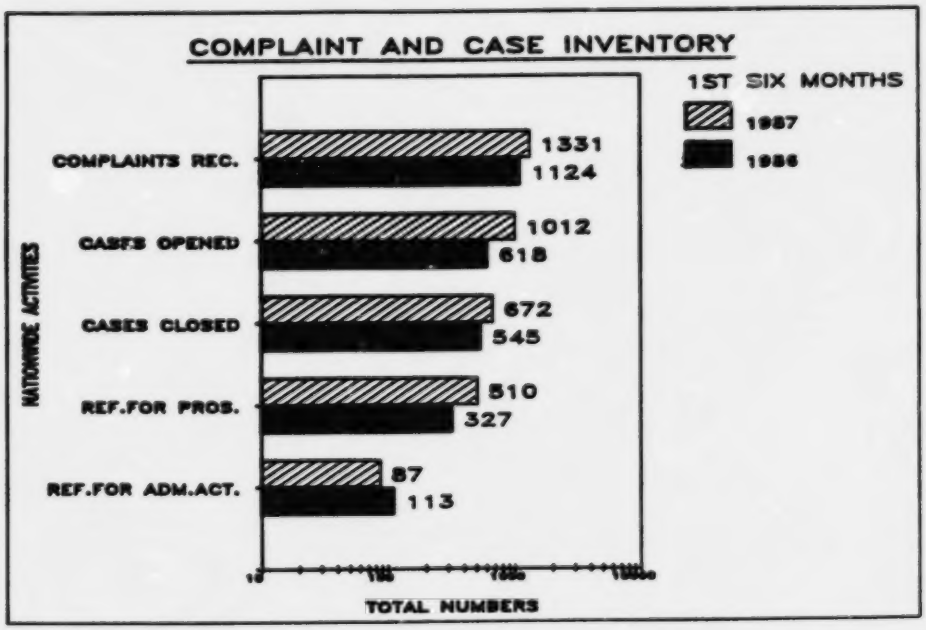
The following charts depict principal accomplishments for this period and affords a comparison with the same period last year.





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OI expends significant investigative resources on programs administered by the Employment and Training Administration (ETA) and the Employment Standards Administration (ESA). Of OI's total investigative hours, 62% were devoted to ETA cases, 31% to ESA cases, and 7% to other program operations.

EMPLOYMENT STANDARDS ADMINISTRATION

ESA annually spends approximately $2.4 billion from appropriated and trust funds for: 1) providing workers' compensation for Federal employees, longshore/harbor workers, and miners with pneumoconiosis (Black Lung); 2) insuring workers receive their just wages and benefits; and, 3) protecting workers against discrimination on federal contracts. OI's investigative efforts in ESA during this reporting period resulted in 53 indictments, 35 convictions and $2,272,190 in fines, recoveries, and court-ordered restitutions.

Office of Workers' Compensation Programs

The Division of Coal Mine Workers' Compensation (DCMWC) within the Office of Workers' Compensation Programs (OWCP) administers a program which provides benefits to Black Lung victims as a result of their having worked in or around coal mines. OI's identification and investigation of those seeking benefits to which they are not entitled, or professionals who charge Black Lung claimants illegal fees, are exemplified by the following:

-- Based on an individual stating that he had never been a coal miner, an investigation disclosed his ex-wife had fabricated a Black Lung benefits claim in his name, without his knowledge. The defendant pled guilty to making a false statement to obtain benefits. Savings to DOL were $38,427 in back awards and $656.40 per month in benefits. U.S. v. Ennis (S.D. West Virginia)

-- In another investigation by OI and the U.S. Secret Service, the son of a deceased Black Lung benefit recipient made full restitution of $21,539, after admitting to converting the funds intended for his father.

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-- An investigation of illegal fees for representation of Black Lung claimants by an Elkins, West Virginia attorney led to his placement in the Pre-Trial Diversion Program, providing -- among other conditions -- he remains law abiding and repays 16 former clients restitution of $63,764. U.S. v. Triplett (N.D. West Virginia)

The Division of Federal Employees' Compensation (DFEC) of OWCP provides disability income and medical care protection for approximately 3.3 million Federal employees at a cost exceeding $1.2 billion. OI continues to receive excellent cooperation from this Division, which has assisted greatly in the development of several significant cases. The following are examples.

-- On January 19, 1987, a pharmacist, recognized by a peer association as "Pharmacist of the Year", was fined $4,000, sentenced to 2 years probation and 200 hours of community service. He previously pled guilty to theft of Government property for his role in a scheme to charge OWCP for brand name drugs, while he dispensed to its claimants generic drugs. U.S. v. Nickell (C.D. California)

-- A former Defense Department employee receiving FECA benefits since 1971, has actively operated a crane business since 1972, earning in excess of $90,000 during some years. The annual reports he submitted from 1972 to 1985 falsely reported no self-employment or income. On November 12, 1986, OWCP issued a preliminary finding, declaring a $102,837 over payment for 1972 through 1984. U.S. v. Olsen (D. Hawaii)

-- A former Postal Service clerk, by failing to report his self-employment, was indicted shortly before he was to receive a lump sum payment of $60,450 from OWCP for an alleged 1980 work-related injury. He pleaded guilty and was sentenced on December 19th to three years' probation, ordered to pay court costs and to withdraw his pending FECA claim. U.S. v. Connolly (D. Massachusetts)

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Wage and Hour Program

The Wage and Hour (WH) Division, ESA caseload has continued to grow which prompted OIG and WH to enter into a formal agreement on February 26, 1987 to: insure a more vigorous approach to prosecutions; improve compliance with Federal labor standard laws; and, to better prevent unscrupulous contractors from receiving government contracts. Examples of WH-related investigations are shown below:

-- During May 1985, a WH investigation determined that the owner of Vayanos Contracting Co. had failed to pay the prevailing wage to his employees for work on government construction contracts and had falsified his certified payrolls. Subsequent OI and Postal Inspection Service investigation revealed that he had also bribed a postal employee in order to receive contracts.

On April 24, 1986, the owner met with the suspect postal official, paying him a bribe, which was monitored by investigators. The postal official was arrested, confessed to receiving $18,000 in bribes from contractors since December 1985, and surrendered over $8,000 to investigators.

On January 6, 1987, he was sentenced to one year in prison and three years probation; and ordered to make $10,000 restitution. U.S. v. Polanski (D. Maryland)

In February, the contractor was indicted on six counts of mail fraud and pled guilty to all charges. He is currently awaiting sentencing and has agreed to repay $92,345 in lost wages to his employees. U.S. v. Vayanos Construction Co., et al (W.D. Pennsylvania)

-- An OI and FBI investigation led to the August 26, 1986, indictment of the officers of Beninati and Lacios Ltd., for making false statements about a 1981 contract to paint several buildings at a Staten Island, New York, Naval facility. The three officers pled guilty on October 3, 1986, and were sentenced to three years in prison, two and one-half years suspended, five years probation, fined $10,000 each and ordered to pay back tax liabilities totaling more than $120,000. Debarment proceedings

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against the officers and the firm are underway. U.S. v. Beninati, et al (E.D. New York)

EMPLOYMENT AND TRAINING ADMINISTRATION

JOB TRAINING PROGRAMS

In our limited Job Training Partnership Act (JTPA) investigations, we have identified instances of significant abuse. OI experience shows that many of the same problems of the Comprehensive Employment and Training Act (CETA) are present under JTPA, particularly regarding the lack of specificity of contract language and the lack of defined prohibited practices involving participant eligibility and the placement of trainees. Many of these concerns are being addressed by the Office of Audit.

The difficulty in investigating these cases is heightened by the lack of uniform program administration and the disparity in regulations developed and implemented by the respective states. Unlike CETA, JTPA issues more easily go unreported, since JTPA, as it now functions, requires less Federal monitoring and supervision.

The following cases are indicative of job training investigations during this period:

-- A former Youth Minister and Summer Youth Employment Program supervisor recently pled guilty to theft of program funds and false statements. The supervisor allowed participants to visit beaches, museums and parks while they were supposed to be serving as aids to teachers and tutoring inner-city youth in math and reading skills. The supervisor, who was not present during program hours, also falsified time sheets and chased payroll checks belonging to participants. U.S. v. HANDY (N.D. Illinois)

-- A former job training contractor recently pled guilty to submitting false claims to the State of Iowa, Office of Planning and Programming for non-existent salary and office rental expenses. The subject, who had been a fugitive since April of 1985, embezzled over $79,000 in one-year. Sentencing is pending. U.S. v. LINK (S.D. Iowa)

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In a related job training program investigation:

-- In an extensive CETA investigation of the Gary Manpower Administration (GMA) an 8-count indictment charging a GMA contractor and his spouse with evading $175,813 in Federal income taxes and obtaining over $117,000 in job training funds by fraud, resulted in one defendant pleading guilty to seven felony counts. U.S. v. Perkins and Perkins (N.D. Indiana)

-- Also, on January 29, 1987, a Federal grand jury returned a 9-count indictment against another GMA contractor, charging embezzlement of employment and training funds in excess of $17,000 and evasion of over $126,000 in Federal income taxes. U.S. v. Deloney (N.D. Indiana)

-- On February 28, 1987, a 12-count indictment was returned against two more GMA contractors, including a former GMA Director of Operations, charging them with embezzlement of employment and training funds in excess of $49,000. U.S. v. Cain and Gayles (N.D. Indiana)

UNEMPLOYMENT INSURANCE PROGRAM

OI continues to devote resources to the multi-billion dollar Unemployment Insurance Program (UI). Single-claimant cases have given way to the "clustering" of UI cases for prosecution and high impact cases, including fictitious employee/employer schemes, e.g.:

-- Twenty-seven employees of the French Lick Springs Golf and Tennis Resort were indicted and charged with theft for collecting some $150,000 in UI benefits. A state special prosecutor was appointed for this investigation which was conducted by the Indiana Employment Security Division and OI. Indiana v. Kellems, et al.

-- On October 8, 1986, a CPA was indicted for having obtained $16,000 in UI benefits from New York and New Jersey. Allegedly, she created property management corporations and subsequently filed for UI in these states, claiming that she had been

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laid-off by her non-existent firms. U.S. v. Ross (E.D. New York)

Other types of UI investigations having the potential for wide-spread programmatic impact include:

-- A North Carolina claims interviewer directed $65,000 in fraudulent UI benefits to eight others by altering information in the SESA's computer system so that dormant claims were reactivated. All nine were indicted on February 23, 1987. North Carolina v. Brady et al.

-- A claims examiner for the Department of Employment Services, District of Columbia, was indicted on January 8, 1987, and charged with accepting bribes of money and heroin to facilitate UI claims. The employee and another individual were also charged with generating $17,000 in UI checks, using fictitious employee names. U.S. v. Medina and Slaughter, (D. District of Columbia)

ETHICS AND INTEGRITY ISSUES

All government employees have specific standards of conduct and conflict of interest laws which apply to the performance of their duties. Management shares in the responsibility of ensuring that these standards are maintained.

The following are representative of the ethics and integrity investigations which culminated during this reporting period.

-- On January 15, 1987, a former Wage and Hour Fiscal Officer pled guilty to charges stemming from his ringleader role in an embezzlement scheme. As part of the scheme, he knowingly certified three fraudulent payment vouchers resulting in the issuance of U.S. Treasury checks totalling $106,000. On March 18, 1987, seven co-conspirators were indicted for conspiracy and/or embezzlement of government funds. U.S v. Truesdell, et al (S.D. New York)

-- An investigation with the FBI and West Virginia State Police disclosed that a Mine Safety and Health Administration mine inspector extorted money from a

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mine owner by threatening to assess ruinous violations against the mine unless he was paid $1,000 per quarter. The inspector pled guilty to three counts of acceptance of a bribe by a public official. On January 13, 1987, he was sentenced to 6 years in prison with 5 months to serve, and 3 years' supervised probation. U.S. v. Peaton (S.D. West Virginia)

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OFFICE OF LABOR RACKETEERING

The mission of the Office of Labor Racketeering (OLR) is to identify and reduce labor racketeering in employee benefit plans, labor-management relations, and internal union affairs. As the area of greatest vulnerability to criminal exploitation, employee benefit plans remain the highest investigative priority.

OLR's enforcement program is founded on the premise that organized crime has penetrated certain labor organizations and used them to pillage affiliated employee benefit plans and create criminal monopolies in labor intensive industries. Structured along these lines of industry, the program concentrates on the building and construction trades, waterfront, garment, trucking, waste disposal, and tourism.

OLR's investigations are initiated with a formal planning process that stresses an integrated approach as a means of achieving a broad range of objectives in the form of: Criminal penalties, disqualifications, civil redress, and regulatory sanctions. Implementation of such a program necessarily requires participation with other agencies at the federal, state, and local level. Today, approximately 50 percent of OLR cases are investigated jointly with other agencies to make better use of limited law enforcement resources.

During this reporting period, OLR has implemented policy and procedures to promote the effective, timely enforcement of the officer/convict disqualification provisions of the labor racketeering amendments to the Comprehensive Crime Control Act of 1984. The effect of these procedures will be to ensure that union representatives, benefit plan officials, and management officials convicted of enumerated crimes immediately are removed from their positions of trust and/or precluded from engaging in labor-management relations.

OLR criminal investigations, particularly in the areas of employee benefit plan abuse and internal union affairs, also have established a predicate for potential civil recoveries by plan participants, union membership, or the federal government. During this period OLR investigations

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established a predicate for the potential civil recovery of approximately $7.8 million.

OLR investigations resulted in 28 indictments and 30 convictions during this reporting period.

Significant cases for this period follow.

EMPLOYEE BENEFIT PLANS

International Ladies Garment Workers Union Health and Welfare Funds

Armand Leonardi, the president and principal stockholder of Cinnabar Lane, Ltd., a ladies sportswear designer and producer in New York City, pled guilty February 5, 1987, to 4 of 10 counts in a criminal information charging concealment of over $3.6 million in payments to garment contractors to avoid paying approximately $545,000 to the benefit funds of the International Ladies Garment Workers Union (ILGWU) Local 23-25 from 1982 to 1985. Leonardi was charged with conspiracy and making false statements in records required by ERISA.

Leonardi created false financial records and established bank accounts in fictitious company names to conceal sewing contracting work that would have required contributions by Cinnabar to the ILGWU benefit plans. At Leonardi's instructions, the sewing contractors also disguised their financial records to avoid revealing Cinnabar's business.

This case is part of a continuing investigation of labor racketeering in the garment industry by OLR and the Internal Revenue Service. U.S. v. Leonardi (S.D. New York)

International Ladies Garment Workers Union Health and Welfare Funds

Anthony J. Previte, former owner of Temple Industries and Banook Industries in Reading, Pennsylvania, was indicted February 26, 1987, on 19 counts of defrauding the ILGWU employee benefit fund.

He was charged with deliberately concealing from ILGWU auditors receipts from non-union manufacturers. His companies, which assembled ladies garments from materials and patterns supplied by garment manufacturers and jobbers,

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had collective bargaining agreements with the ILGWU. Under this agreement the companies were required to contribute to the union's various employee benefit funds for work that the companies' workers did on behalf of non-union manufacturers and jobbers.

Allegedly, between June 1981 and November 1984, Previte concealed approximately $1.3 million from the union by splitting his companies' cash receipts between two separate journals, but only showing one journal to the union. As a result, Previte was allegedly assessed approximately $100,000 less in benefit fund contributions than he otherwise should have been.

The indictment charges Previte with 9 counts of mail fraud and 10 counts of violating ERISA. U.S. v. Previte (E.D. Pennsylvania)

Mid-Jersey Trucking Industry-Teamsters Local 701 Pension Fund

Indictments against four defendants in the case involving the 1982 investment of $20 million belonging to the Mid-Jersey Trucking Industry-Teamsters Local 701 Pension Fund in East Brunswick, New Jersey, were resolved during this reporting period. Angus Stone Douglass, a former investment advisor to the Fund pled guilty on October 14, 1986, to one count of mail fraud and is awaiting sentencing.

Robert Coar, Frank Scotto and Kenneth P. Zauber were convicted on December 23, 1986, on charges including conspiracy to violate the Racketeer Influenced and Corrupt Organizations (RICO) Statute, mail fraud, and soliciting kickbacks to influence the operations of an employee benefit plan.

Coar and Scotto are former trustees of the Fund and Zauber was the Fund's counsel. David Friedland, the former attorney for the Fund, was indicted on February 10, 1986, and remains a fugitive. U.S. v. Friedland et al. (D. New Jersey)

Western Conference Benefits Trust (Teamsters)

Three individuals, including the administrator of the Western Conference Benefits Trust (WCBT) that provides

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benefits to Teamsters Local 911 of Long Beach, California, were convicted in November 1986 for their part in a scheme to defraud the Trust.

The charges against the defendants included embezzlement, false statements to an employee benefit plan, mail fraud, and income tax violations. Matthew McCusker, owner of M.W. McCusker Company, administrator of the WCBT, was convicted on November 13 and sentenced to a 3-year suspended sentence, 5 years' probation, 3000 hours of community service, and ordered to pay restitution of $259,118 to the Trust. He is barred from serving as a fiduciary in any employee benefit plan. Nicholas Nicholson, an official of Far West Administrators that administered a subdivision of WCBT, was convicted on November 12 and sentenced to 3 years in prison, 5 years' probation, and ordered to make restitution of $149,560 to the Trust. His wife, Dana Nicholson, an employee of Far West, was sentenced to 5 years probation, 1500 hours of community service, and ordered to make restitution of $83,623 to the Trust.

Another defendant in the case, Elwyn Lull Raffetto, owner of an insurance brokerage and consulting firm that served as consultant to McCusker's company and to Far West, was acquitted of all charges. Gordon F. Eldredge and his wife, Sharon Eldredge, owners of Westwide Financial Services, a consultant to McCusker's company, have yet to be tried since they are presently fugitives from justice.

Alva Dotson Bennett, former secretary-treasurer of local 911 and board chairman of WCBT, pled guilty in December 1985 to one count of embezzlement and two counts of mail fraud. He was sentenced on November 25 to 3 years' probation, 600 hours of community service, and ordered to pay $130,000 in restitution to the Trust.

The convicted defendants embezzled over $1 million from WCBT by recruiting employee groups not associated with local 911 by greatly exaggerating the size of the Trust. Once employee groups were recruited into the Trust, substantial sums of money were embezzled. This was a joint investigation by OLR, the IRS, and the FBI. U.S. v. McCusker et al. (C.D. California)

Michigan Conference of Teamsters Welfare Fund

OLR previously mentioned the conviction on September 23, 1986, of four defendants charged with racketeering involving

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the awarding of the health care contracts of the Michigan Conference of Teamsters Welfare Fund. On March 3, 1987, they were sentenced in Detroit, Michigan.

Charles F. Collins, former administrator of the welfare fund was sentenced to 7 years in prison. Francis Richard Fitzsimmons, former fund trustee and son of the late Teamsters Internationl President Frank Fitzsimmons, and Sol C. Schwartz, former manager of two companies that provided claims service to the fund, were each sentenced to serve 5 years in prison and fined $5,000. Roger Towne, a former officer and director of three businesses that provided services to the fund, was sentenced to 3 years in prison and fined $25,000.

The 1984 indictment had charged the defendants with a scheme to defraud the welfare fund by influencing Collins and Fitzsimmons to help obtain a package of health care service contracts. This investigation was conducted jointly by OLR, the FBI, and the IRS. U.S. v. Collins et al. (E.D. Michigan)

Carpenters Local 85 Benefit Plans

John B. Pike, owner of John B. Pike and Son, Inc., of Rochester, New York, pled guilty on October 16, 1986, on behalf of his company to a 1-count felony information charging false statements on ERISA documents.

The company had operated a second company, Granite Builders Inc., to avoid its obligations under a collective bargaining agreement with Carpenters Local 85 Benefit Plans of Rochester, New York.

The company was fined $10,000 and was ordered to pay $5,500 in restitution to the Carpenters' Fund. U.S. v. John B. Pike and Son, Inc. (N.D. New York)

Milwaukee Drivers Pension Trust Fund (Teamsters)

Charles T. Pieper, former chairman of the Board of Trustees for the Milwaukee Drivers Trust Fund was convicted in Milwaukee, Wisconsin, on February 9, 1987, on 16 counts, including charges of conspiracy, racketeering, income tax violations, and accepting kickbacks to influence an employee benefit fund. He is also a former secretary-treasurer of Teamsters Local 344 in Milwaukee.

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He converted over $285,000 to his own use and the use of others through a conspiracy that solicited and received fees and other things of value from various applicants for real estate loans from the pension trust fund. His co-conspirator, Gary N. Landru, a former vice president of the M&I Northern Bank in Milwaukee who acted as an agent of the Drivers Trust Fund, pled guilty in August 1986 to one count of filing false income tax returns and one count of racketeering.

Dale C. Bluvstein, owner of a Milwaukee restaurant, pled guilty to two counts of perjury on January 9, 1987. He was one of the borrowers of the fund money, and gave false testimony to the grand jury.

The investigation was conducted by OLR, the FBI, and the IRS. U.S. v. Landru (E.D. Wisconsin)

Michigan Teamsters Welfare Accumulation Fund

Joseph C. Spieser, whose company provides administrative services for several thousand Michigan based members of the Teamsters Union and for the Southern Conference of Teamsters Health and Welfare Fund, pled guilty October 31, 1986, to a criminal information charging him with violating federal reporting laws under ERISA.

As president of Health and Welfare Plans, Inc., Spieser was co-administrator, along with the Maccabees Mutual Life Insurance Company of Southfield, of the Welfare Accumulation Fund for several Teamster locals in Michigan. Spieser was charged with making false statements to the Maccabees in transmittal letters that accompanied the remittance of funds collected from the J.L. Hudson Company on behalf of its warehouse employees who are members of Teamsters Local 299 in Detroit.

Spieser had represented to Hudson's, the union, and the employees that the funds were designated for the purchase of cancer insurance policies from the Maccabees Mutual Life Insurance Company of Southfield at a cost of $4.80 per employee per month. Contrary to these representations, Spieser transmitted only $2.00 per month per employee to the Maccabees. The transmittal letters accompanying the payments reflected that he had collected only $2.00 per month per employee rather than the $4.80 per month Hudson's actually paid.

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As part of the plea agreement with the government, Spieser has agreed to be barred for life from doing business with any employee benefit plans that come under ERISA. Assisting OLR in this investigation was the Pension and Welfare Benefits Administration. U.S. v. Spieser (E.D. Michigan)

LABOR-MANAGEMENT RELATIONS

ILA Locals 1587 and 1588, Bayonne, New Jersey

John DiGilio, identified in U.S. Senate hearings as a high ranking member of the Genovese organized crime family, and seven others were indicted in Newark, New Jersey, on November 3, 1986, on charges of racketeering alleging their control and influence over the operation of Locals 1587 and 1588 of the International Longshoremen's Association (ILA).

Charged in the 14-count indictment with DiGilio were Donald Carson, general organizer of the ILA and secretary-treasurer of ILA Locals 1587 and 1588 in Bayonne, New Jersey; John Barbato; Anthony Gallagher; Anthony Sharkey, owner of B & A Reefer; Milton Held, an officer of United Terminals, Inc., (UTI) and chairman of the board of its parent company, Diversified Transportation Resources (DTI); David Richman, president of UTI and DTR; and Harold Friedman, a senior vice president of DTR.

DiGilio is charged as being the head of a racketeering enterprise known as the "John DiGilio Group." The indictment charges that in controlling locals 1587 and 1588, the group demanded a pre-determined tariff on each container moving through UTI's stevedoring facility at Marine Ocean Terminal in Bayonne in exchange for labor peace. Allegedly multiple illegal payments were made by Held, Richmond and Friedman, all employer representatives, to Carson, a union official, with the aid and assistance of DiGilio, Barbato, Gallagher, and Sharkey.

The indictment charges that DiGilio, Barbato, Carson, Gallagher, and Sharkey extorted approximately $175,000 from UTI in return for labor peace. Allegedly, the scheme involved B & A Reefer submitting vouchers to UTI for payment on the movement of containers that were, in fact, never moved.

Additional counts in the indictment charge that Held, Richman, and Friedman devised a scheme to defraud Sealand Services, Inc., which has offices in Menlo Park, New

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Jersey. According to the indictment, UTI provided stevedore services to Sealand and engaged in the transportation of containerized cargo between points within and without the State of New Jersey. UTI allegedly fraudulently billed Sealand for employee wages based on an ILA deep sea (longshoreman) wage rate, when, in fact, UTI paid employees at the substantially lower ILA warehouse wage rate.

The investigation of the the DiGilio Group was conducted jointly by OLR and the Federal Bureau of Investigation. U.S. v. DiGilio et al. (D. New Jersey)

Maher Terminals, Inc., Jersey City, New Jersey

Richard Maldanis, a former shop manager for Maher Terminals, Inc., one of the largest east coast stevedore companies, was indicted March 5, 1987, in Newark, New Jersey, for his part in an alleged overbilling scheme.

Maldanis was charged with two counts each of extortion, mail fraud, and filing false income tax returns. While employed as a shop manager for Maher's heavy repair shop in Port Elizabeth from September 1977 to January 1984, Maldanis allegedly devised a fraudulent overbilling scheme whereby he induced independent contractors to submit invoices to Maher for work that had been performed by Maher employees. According to the indictment, Maldanis split the proceeds of the scheme with the independent contractors.

This indictment is part of a continuing major investigation by OLR into both labor and management corruption in the waterfront industry. The investigation leading to this indictment was conducted jointly with the Waterfront Commission of New York Harbor with assistance from the IRS. U. S. v. Maldanis (D. New Jersey

OTHER SIGNIFICANT CASES

Wedtech Corporation, Bronx, New York

Fred Neuberger, Mario Moreno, Anthony Guariglia, and Lawrence Shorten, former officers of Wedtech, a military contractor, pled guilty on January 30, 1987, to an indictment returned on January 27, 1987, charging them with one count of conspiring to bribe federal and New York state and city officials and with conspiring to offer compensation to members of Congress and officers and employees of the

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executive branch of the Federal Government for services rendered by such individuals.

Neuberger and Moreno also pled guilty to charges that they conspired to submit false claims to the Department of Defense regarding applications for progress payments of $5 million. They also pled guilty to using the mails to bribe federal and New York state and city officials. Neuberger, Moreno, and Guariglia admitted conspiring to defraud Wedtech shareholders by filing false statements with the Securities Exchange Commission. In their guilty pleas, all three Wedtech officials also admitted using the mails to defraud the Small Business Administration by misrepresenting the company's minority status, thus enabling Wedtech to receive federal contracts on a no-bid basis.

This indictment and guilty pleas represent the initial accomplishments of an extensive labor racketeering and public corruption investigation conducted by OLR, the Defense Criminal Investigative Service, the FBI, the Small Business Administration Office of Inspector General, and the New York City Police Department. U.S. v. Neuberger et al. (S.D. New York)

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OFFICE OF RESOURCE MANAGEMENT AND LEGISLATIVE ASSESSMENT

This section describes several activities of the Office of Resource Management and Legislative Assessment (ORMLA) that are mandated by statute or that the Inspector General has deemed important for achieving the mission of the OIG. Included are highlights of OIG reviews of legislative and regulatory proposals, OIG efforts to promote economy and efficiency and to prevent fraud, waste and abuse in the administration of departmental programs as well as efforts to provide ADP support to the other OIG programs and to coordinate OIG activities with the President's Council on Integrity and Efficiency and other Offices of Inspector General.

LEGISLATIVE AND REGULATORY ASSESSMENT

Section 4(a) of the Inspector General Act of 1978 requires the Inspector General to review existing and proposed legislation and regulations and to make recommendations in the semiannual report concerning their impact on the economy and efficiency in the administration of the Department's programs and on the prevention and detection of fraud and abuse. During this reporting period, ORMLA reviewed or commented on 183 legislative and regulatory items. The most significant are summarized below.

o Comprehensive Crime Control Act Amendments

The Justice Department recently proposed draft amendments to the Comprehensive Crime Control Act (CCCA) of 1984. One of those proposals would amend Section 504 of the Labor-Management Reporting and Disclosure Act (LMRDA) and Section 411 of the Employee Retirement Income Security Act (ERISA). This amendment would authorize the state sentencing court (in the case of a state conviction) to exempt a convicted person from the LMRDA- and ERISA-prohibited employment in labor unions, employee benefit plans, employer associations and as labor relations consultants.

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OIG disagreed with the Justice Department proposal. When an individual is notified of such a prohibition under Federal law, individuals convicted in a state court should only be able to seek a Federal forum for exemption from or reduction of that prohibition. OIG recommended that all authority to exempt and reduce a felon's prohibition from such employment be retained by the Federal Government.

o **Law Enforcement Authority**

OIG continues to support enactment of legislation to provide full law enforcement authority for Office of Labor Racketeering Special Agents. Law enforcement authority would permit Special Agents to make arrests, execute search warrants, carry firearms, and administer oaths to witnesses. The absence of full law enforcement authority has required Office of Labor Racketeering Special Agents to request assistance from other Federal agencies. This has proven to be a cumbersome and time-consuming process as it requires these other agencies to readjust their priorities and staff assignments to be able to provide law enforcement services as needed. A legislative remedy is required to grant this authority. The Department's 1987 legislative program reported the law enforcement proposal as being under consultation with the Department of Justice.

o **Computer Matching and Privacy Protection Act of 1987**

S.496, the "Computer Matching and Privacy Protection Act of 1987," is similar to S.2756, a bill introduced in the 99th Congress. While S.476 is an improvement over the earlier version, the OIG continues to have a number of concerns. Principally, it is our belief that the Data Integrity Board created under Section 4 of the bill conflicts with the necessary independence of the Inspector General. Since S.496 would require those Data Integrity Boards to review and approve the use of computer matching, these boards may impinge on the IG's authority to determine the manner in which audits and investigations are conducted by potentially controlling the methodology that can be utilized. The OIG also questioned the adequacy of the definition of a "Federal benefit program" contained in Section 5 of the bill. It is not clear whether that definition would also include entitlement programs that are designed to compensate individuals for injuries or losses suffered. Further clarification in the bill of this definition was suggested.

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o **Civil RICO**

One of a number of recommendations made to the Vice President by the Business Roundtable was a proposal to amend the Racketeering Influenced and Corrupt Organizations Act (RICO) to exclude ordinary business disputes from coverage under the civil RICO provisions. As a result of the courts' broad interpretation of the civil RICO provisions and their upholding an expanded application of the provisions to business disputes, the Business Roundtable is concerned that this broad application of civil RICO negatively affected certain businesses in some cases. While recognizing the concerns of the Business Roundtable, the OIG has proposed that authority under the civil provisions of RICO be retained for private litigants in those issues involving union member and employee benefit plan participant rights. Labor racketeering cases frequently involve organized crime and corrupt organizations. It is the OIG's view that the use of civil RICO in these cases is appropriate and consistent with its use by the government: that it is a useful remedy for union members and pensioners that should be continued.

o **Federal Employees Retirement System**

The Office of Personnel Management (OPM) issued interim regulations implementing special retirement provisions for law enforcement officers and others employed under the Federal Employees Retirement System (FERS). The OIG's principal concern was that under the proposed regulations the agency head will determine coverage for "rigorous" positions, where employment opportunities are required to be limited to young and physically vigorous individuals. In order to maintain the full degree of independence envisioned by the Inspectors General Act of 1978, the authority for making determinations as to which OIG positions should be classified as "rigorous" should be delegated to the IGs.

PCIE ACTIVITIES

Executive Order 12301, dated March 26, 1981, established the President's Council on Integrity and Efficiency (PCIE) to coordinate and provide leadership in implementing programs to prevent fraud, waste and abuse on a Government-wide level. The Council performs the majority of its activities

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through nine separate committees. The DOL/OIG maintained active membership on several committees.

- o Computer Committee: As its Co-chair, the DOL Inspector General is presently involved with two on-going projects. The Computer Systems Integrity Project, in association with NASA, will assess the integrity of Federal computer systems and develop recommendations for Government-wide improvements in standards, procedures, documentation and operations affecting computer systems' integrity. The other project, Payment Integrity, will develop crossmatches to determine the extent of multi-program fraud within the major state benefit programs such as Medicare, Aid to Families with Dependent Children, Section 8 housing, and other programs.

- o Standards Committee: The comments received from our survey of investigative staff of other OIGs are being used to finalize the "Quality Standards for Federal Offices of Inspector General Investigators." The final standards will be issued shortly.

- o Training Committee: As Chairman of the Subcommittee for Investigator Training, the DOL Inspector General is currently directing the development of an extensive training course tailored for all OIG investigators to be given at the Federal Law Enforcement Training Center at Glynco, Georgia. Other Offices of Inspector General are contributing to the development of this 26 module two week course, scheduled to begin in July 1987.

  As part of OIG's work with the Executive Development Subcommittee, the DOL Inspector General participated in the workshop entitled, "Computer Technology in the IG Community." This presentation focused on recent improvements in microcomputer hardware and software, as well as those software areas needing further enhancements.

ETHICS AND INTEGRITY AWARENESS

During the reporting period, the OIG continued to present its two-hour ethics and integrity training module to supervisors and managers in the Department. This course, offered as part of the Office of the Assistant Secretary for Administration and Management's Core Training for Supervisors program, helped supervisors understand their

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role in dealing with questions or problems of ethics and integrity in the workplace. The course content includes conflicts of interest; acceptance of gifts and gratuities; outside employment; improper use of government resources or facilities; and reporting fraud, waste, and abuse.

The OIG also participated in a presentation by the Solicitor's Office of "Knowing Where the Buck Stops," a six-hour ethics and integrity course jointly developed by the OIG and the Solicitors' Office.

ADP INITIATIVES

As part of OIG's efforts to use computer technology to improve the efficiency and effectiveness of its work, the Division of Information Resources within ORMLA provides ADP assistance organization-wide. During this period we participated in a number of activities in direct support of the OIG mission.

o Value-Added Network

With the installation of the Value-Added Network (VAN), the OIG ADP Master Plan, developed in 1984 and reflecting a five-year strategy for the OIG ADP enterprise, will be virtually completed. Installation of the VAN will begin in April and will be fully operational in June. It will link all OIG minicomputers; providing telecommunication of management information mail and documents. The VAN will also permit word processing support at remote sites.

o Assignment Tracking and Reporting Systems (ATARS)

The Office of Audit's ATARS system, originally acquired from the U.S. Department of Agriculture (USDA) and operated on USDA's computer, was recently converted and enhanced to operate on the OIG minicomputer. These enhancements have enabled better audit project management and improved control over CPA funding, as well as better data system responsiveness to management information needs. Other benefits derived from this conversion have been the elimination of the costs for and reliance upon another agency's computer and a more efficient use of staff resources.

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o **Computer Applications Assistance for Investigators**

In order to facilitate criminal investigations by OIG's Office of Labor Racketeering (OLR), ORMLA recently developed a "Handbook of Computer Applications" containing the documentation and user instructions for computerized workpapers. This Handbook is designed for exclusive use Special Agents on desktop micro computers. These computerized workpapers analyze such frequently investigated areas as benefit claims, ghost union employees, double billing, and credit card purchases and provide automated investigative assistance in identifying criminal relationships among a variety of statutory violations.

Through a series of visits to field locations of our Offices of Investigations and Labor Racketeering, we also assisted in the design of computer applications to facilitate specific investigations and provided training to investigative staff in their use. These applications greatly accelerate investigative steps, particularly those used to analyze voluminous amounts of data.

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COMPLAINT HANDLING ACTIVITIES

The Office of Inspector General is the focal point for receiving and tracking reports of alleged fraud, gross waste, or abuse in the Department of Labor. During this reporting period the OIG received 1331 complaints nationwide from the general public, departmental employees, Congress and other agencies. These complaints were made directly to the OIG National Office, OIG Regional Offices, and the OIG Complaint Analysis Office. Following is a breakdown of the various sources of complaints we received and disposition made:

TOTAL ALLEGATIONS RECEIVED:	1331
ALLEGATIONS BY SOURCE:	
Walk - In	2
DOL/IG Hotline Phone	87
Telephone calls	27
Letters from Congressmen	6
Letters from individuals or Organizations	129
Letters from non-DOL agencies	661
Letters DOL agencies	195
Incident Reports from DOL agencies	146
Reported by agent/auditor	71
Referrals from GAO	7
DISPOSITION OF ALLEGATIONS RECEIVED:	
Referred to Audit/Investigations	817
Referred to Program Management	67
Referred to Other Agencies	17
No further action	180
Pending Disposition at end of period	250

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MONEY OWED TO THE DEPARTMENT OF LABOR

In accordance with a request in the Senate Committee on Appropriations' report on the Supplemental Appropriation and Rescission Bill of 1980, the chart on the following page shows unaudited estimates provided by departmental agencies on the amounts of money owed, overdue, and written off as uncollectible during the 6-month reporting period.

Footnotes:

1/ Includes amounts identified as contingent receivables that are subject to an appeals process that can eliminate or reduce the amounts identified.

2/ Any amount more than 30 days overdue is delinquent. Includes items under appeal and not in collection mode.

3/ Includes write-offs of uncollectible receivables and adjustments of contingent receivables as a result of the appeals process and reclassification of disallowed costs based on documentation submitted after audit resolution.

4/ Approximately 74 percent of the total is currently under appeal to an Administrative Law Judge.

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SUMMARY OF ESTIMATED DEPARTMENT OF LABOR RECEIVABLES
(Dollars in thousands)

Program Name	Collections This FY Thru 3/31/87	Outstanding Receivables 3/31/87 1/	Delinquencies 3/31/87 2/	Adjustments & Write-offs 3/31/87 3/	Under Appeal as of 3/31/87 4/
ESA					
FECA - beneficiary/provider overpayments	$ 7,900	$ 24,100	$ 9,900	-$3,800	$ 7,100
Black Lung Program - responsible mine operator reimbursement; beneficiary/provider overpayments	9,582	183,556	26,981	-4,809	143,038
EBA - disallowed costs; outstanding cash balances; grantee overpayments	12,601	280,812	280,812	-24,723	234,425
MSHA - mine operator civil penalties	5,122	10,057	7,849	-416	0
Pension Benefit Guaranty Corporation - plan assets subject to transfer; employer liability; accrued premium income	5,257	21,611	10,870	0	0
OSHA	4,765	11,655	3,625	2,400	8,029
BLS	308	125	112	0	0
O'SEC	0	615	615	0	0
Total	$45,535	$532,531	$340,764	-$31,348	$392,592

See previous page for footnotes.

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APPENDIX

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SELECTED STATISTICS
October 1, 1986 to March 31, 1987

Audit Activities

--	Reports issued on DOL activities	187
--	Audit exceptions	$160.7 million
--	Reports issued for other Federal agencies	8
--	Dollars resolved	$123.4 million
	Allowed	$ 38.6 million
	Disallowed	$ 84.8 million

Fraud and Integrity Activities

--	Allegations reported	1331
--	Cases opened	1012
--	Cases closed	672
--	Cases referred for prosecution	510
--	Individuals or entities indicted	384
--	Successful criminal prosecutions	423
--	Referrals for administrative action	87
--	Administrative Actions	22
--	Fines, penalties, restitutions and settlements	$3,575,600
--	Recoveries	$2,009,000
--	Cost efficiencies	$1,781,500

Labor Racketeering Investigation Activities

--	Cases opened	27
--	Cases closed	10
--	Individuals indicted	28
--	Individuals convicted	30
--	Fines	$ 239,525
--	Restitutions	$ 1,107,621

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SUMMARY OF AUDIT ACTIVITY OF DOL PROGRAMS
October 1, 1986 to March 31, 1987

Agency	Reports Issued	DOL Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
OSEC	2	0	0	0
VETS	10	0	0	0
ETA	129	9,246,219,005	26,491,915	134,108,965
ESA	2	0	0	0
OLMS/PWBA	3	0	0	0
MSHA	9	0	0	0
OASAM	7	0	67,578	0
OSHA	15	2,116,912	4,719	2,070
BLS	10	0	0	0
Other Agencies	8	0	69,700	0
TOTALS	195	$9,248,335,917	$26,633,912	$134,111,035

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SUMMARY OF AUDIT ACTIVITY OF ETA PROGRAMS
October 1, 1986 to March 31, 1987

Program	Reports Issued	Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
ADMIN	1	$ 0	$ 0	$ 0
OFCMS	1	99,209	0	0
UIS	20	5,812,963,035	9,612,113	132,393,521
SESA	16	3,065,982,048	10,069,879	245,369
JTPA	21	140,688,626	3,302,963	533,384
CETA	30	178,268,157	2,370,157	458,207
OSPPD	3	5,459,366	359,995	151,553
DINAP	14	8,507,313	0	304,875
DOWP	11	2,689,375	0	0
DSFP	5	10,562,335	8,542	1,454
OJC	7	20,999,541	768,266	20,602
TOTALS	129	$9,246,219,005	$26,491,915	$134,108,965

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SUMMARY OF AUDITS PERFORMED UNDER THE SINGLE AUDIT ACT
October 1, 1986 to March 31, 1987

Agency	Reports Issued	Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
ETA	12	$73,781,767	$ 4,454	$0
OLMS/PWBA	2	0	0	0
MSHA	1	0	0	0
OSHA	1	0	0	0
BLS	1	0	0	0
Other Agy	4	0	$69,700	0
TOTALS	21	$73,781,767	$74,154	$0

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AUDITS BY NON-FEDERAL AUDITORS 1/
(OUTLINE OF DATA REQUESTED)

PCIE SEMIANNUAL REPORTING - SUMMARY RESULTS OF IG REVIEWS

STATISTICAL TABLE	A-128 AUDITS (Cognizant Assignments and General Oversight Entities)			OTHER AUDITS (Performed Pursuant to A-110/ A-88 etc.)			
	INDEPENDENT PUBLIC ACCOUNTANT	STATE & LOCAL AUDITOR	TOTAL	INDEPENDENT PUBLIC ACCOUNTANT	STATE & LOCAL AUDITOR	TOTAL	GRAND TOTAL
1. Total reports issued 2/	15	6	21	22	22	44	65
2. Total reports issued on which QCRs were performed	5	3	8	0	0	0	8
3. Number of reports issued without modifications	13	6	19	22	22	44	63
4. Number of reports issued that required auditor modifications:							
a. Based on desk review	2	0	2	0	0	0	2
b. Based on QCR (including draft reports)	0	0	0	0	0	0	0
Total modified reports issued:	2	0	2	0	0	0	2
5. Number of reports determined not to satisfy Federal audit requirements	0	0	0	0	0	0	0
6. Number of reports referred to State Boards/AICPA	0	0	0	0	0	0	0
7. Number of reports on which other sanctions were taken	0	0	0	0	0	0	0

Footnotes:

1/ The non-Federal audit information on this form pertains only to those non-Federal Audits where the audit services were procured or obtained by the auditee organization.

2/ All reports are subjected to desk reviews.

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SUMMARY OF AUDIT RESOLUTION ACTIVITY
OCTOBER 1, 1986 TO MARCH 31, 1987

AGENCY PROGRAM	SEPTEMBER 30, 1986 BALANCE UNRESOLVED		ISSUED (Increases)		RESOLVED (Decreases)			MARCH 31, 1987 BALANCE UNRESOLVED	
	REPORTS	DOLLARS	REPORTS	DOLLARS	REPORTS	ALLOWED	DISALLOWED	REPORTS	DOLLARS
OFC/SECY	1	0	2	0	3	0	0	0	0
VETS	1	9,414	10	0	11	0	9,414	0	0
ETA:									
ADMIN	1	0	1	0	2	0	0	0	0
OFCMS	0	0	1	0	0	0	0	1	0
UIS	17	59,730,285	20	142,005,634	20	30,732,660	78,643,114	17	98,320,281
SESA	14	2,573,459	16	10,315,248	19	673,688	1,295,237	11	10,919,786
JTPA	13	488,505	21	3,836,347	28	267,222	221,333	6	3,836,347
CETA	19	10,412,949	30	2,828,364	36	4,539,756	1,445,785	13	7,255,772
OSPPD	1	75,013	3	511,548	0	0	0	4	586,561
DINAP	5	2,656,216	14	304,875	17	571,702	2,389,389	2	0
DOWP	2	69,953	11	0	11	0	69,953	2	0
DSFP	7	565,428	5	9,996	8	190,496	396,059	4	9,996
OJC	10	848,257	7	788,868	15	724,045	124,212	2	788,868
ESA	0	0	2	0	1	0	0	1	0
OLMS/PWBA	1	0	3	0	3	0	0	1	0
MSHA	2	0	9	0	8	0	0	3	0
OASAM	5	13,189,582	7	67,578	9	375,580	367	3	12,881,213
SOLICITOR	0	0	0	0	0	0	0	0	0
OIG	1	0	0	0	1	0	0	0	0
OSHA	3	667,103	15	6,789	15	525,264	170,588	3	6,789
BLS	0	0	10	0	10	0	0	0	0
OTHER AGY	0	0	8	69,700	6	0	0	2	69,700
TOTAL	103	$91,286,164	195	$160,744,947	223	$38,600,413	$84,765,451	75	$134,675,313

"Dollars" signifies both questioned costs (costs that are inadequately documented or that require the grant officer's interpretation regarding allowability) and costs recommended for disallowance (costs that are in violation of law or regulatory requirements).

Audit resolution occurs when the program agency and the audit organization agree on action to be taken on reported findings and recommendations. Thus, this table does not include activity subsequent to the final determination such as the appeals process, the results of the program agency debt collection efforts, or revision of prior determinations which may result in the reduction of the amount reported as disallowed costs.

Differences between the beginning balances in this schedule and the ending balances in the schedules of the previous semiannual report result from adjustments required during the reporting period.

"Total Disallowed" includes "additional claim amounts" of $6,010,066, i.e., the amount which a grant officer has disallowed in addition to the original finding amount.

STATUS OF AUDIT RESOLUTION ACTIONS ON AUDITS UNRESOLVED OVER 6 MONTHS

AGENCY PROGRAM	SEPTEMBER 30, 1986 BALANCE UNRESOLVED REPORTS	SEPTEMBER 30, 1986 BALANCE UNRESOLVED DOLLARS	RESOLVED (DECREASES) REPORTS	RESOLVED (DECREASES) DOLLARS 1/	MARCH 31, 1987 BALANCE UNRESOLVED REPORTS	MARCH 31, 1987 BALANCE UNRESOLVED DOLLARS 2/
OSEC	1	0	1	0	0	0
VETS	1	9,414	1	9,414	0	0
ETA:						
ADMIN	1	0	1	0	0	0
UIS	17	59,730,285	16	59,730,285	1	0
SESA	14	2,573,459	14	2,573,459	0	0
JTPA GRTEES	13	488,505	13	488,505	0	0
CETA	19	10,412,949	17	9,159,679	4	1,239,343
OSPPD	1	75,013	0	0	1	75,013
DINAP	5	2,656,216	5	2,656,216	0	0
DOWP	2	69,953	2	69,953	0	0
DSFP	7	565,428	7	565,428	0	0
OJC	10	848,257	10	848,257	0	0
ESA	0	0	0	0	0	0
OLMS	1	0	1	0	0	0
MSHA	2	0	2	0	0	0
OASAM	5	13,189,582	3	375,947	1	12,813,635
SOLICITOR	0	0	0	0	0	0
OIG	1	0	1	0	0	0
OSHA	3	667,103	3	667,103	0	0
BLS	0	0	0	0	0	0
OTHER AGY	0	0	0	0	0	0
TOTAL	103	$91,286,164	97	$77,144,246	7	$14,127,991

1/ Reflects resolution activity for assignments which had been unresolved over 6 months.

2/ Includes only those assignments whose unresolved status is over 6 months.

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UNRESOLVED AUDITS OVER 6 MONTHS PRECLUDED FROM RESOLUTION

Agency	Program	Audit Report Number	Name of Audit/Auditee	No of Rec	Audit Exceptions	No of Rec	Cost Efficiencies
Under Investigation or Litigation:							
ETA	SESA	04-84-156-03-325	KY SESA OPERATIONAL AUDIT			1	1,503,206
ETA	CETA	03-84-062-03-345	SOUTHERN ALLEGHENIES CNSRT	4	35,728		
ETA	CETA	04-84-029-03-345	BIRMINGHAM CONSORTIUM	1	20,970		
ETA	CETA	05-81-156-03-345	ILLINOIS BOS	2	598,852		
ETA	CETA	05-84-067-03-345	DETROIT, CITY OF	3	583,793		
ETA	OSPPD	05-81-301-03-350	CSRT VENTURE CORP	5	75,013		
OASAM	OCD	05-83-065-07-742	DETROIT EMPL & TRNG	11	12,813,635		
Awaiting Resolution (See Chapter 3, Audit Resolution):							
ETA	UI	03-83-203-03-315	UI EXPERIENCE RATING	3	0		
Pending Indirect Cost Negotiations: 1/							
OASAM	OCD	05-86-019-07-742	CAL INDUSTRIAL RELATIONS			3	223,521
SUBTOTAL				**29**	**$14,127,991**	**4**	**$1,726,727**
TOTAL AUDIT EXCEPTIONS AND COST EFFICIENCIES					**33**	**$15,854,718**	

1/ In accordance with OMB Circular A-50, resolution is not required within the 180-day time limit.

FINAL AUDIT REPORTS ISSUED
01-OCT-86 TO 31-MAR-87

AUDIT REPORT NUMBER	AGENCY	PROGRAM	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
02-85-040-03-001	ETA	ADMIN	11-FEB-87	ASSRT MANAGEMENT-ETA
02-86-057-03-325	ETA	SESA	17-NOV-86	VERMONT DEPT. OF EMP AND TRNG
02-87-016-03-325	ETA	SESA	18-DEC-86	NEW HAMPSHIRE EMPLOYMENT SECURITY
02-87-023-03-325	ETA	SESA	08-JAN-87	MAINE BUREAU OF EMPLOYMENT SECURITY
02-87-024-03-325	ETA	SESA	08-JAN-87	RHODE ISLAND
02-85-071-03-340	ETA	JTPA	02-OCT-86	MORRIS COUNTY NEW JERSEY
02-87-028-03-340	ETA	JTPA	23-JAN-87	MASSACHUSETTS ECONOMIC AFFAIRS
02-83-422-03-345	ETA	CETA	07-OCT-86	MUN OF CAROLINA, PUERTO RICO
02-84-019-03-345	ETA	CETA	09-MAR-87	WESTCHESTER-PUTNAM CNSRT
02-84-020-03-345	ETA	CETA	09-MAR-87	WESTCHESTER-PUTNAM CNSRT
02-84-021-03-345	ETA	CETA	09-MAR-87	WESTCHESTER-PUTNAM CNSRT
02-84-071-03-345	ETA	CETA	09-MAR-87	MUNICIPALITY OF BAYAMON
02-84-101-03-345	ETA	CETA	07-NOV-86	MONROE COUNTY CETA
02-86-006-03-345	ETA	CETA	03-FEB-87	ELIZABETH, CITY OF
02-86-047-03-345	ETA	CETA	02-MAR-87	YONKERS, CITY OF
02-86-048-03-345	ETA	CETA	08-JAN-87	NEW YORK, CITY OF
02-86-053-03-345	ETA	CETA	10-OCT-86	YONKERS, CITY OF - CETA
02-86-065-03-345	ETA	CETA	02-MAR-87	YONKERS, CITY OF - SYEP
02-87-006-03-345	ETA	CETA	09-JAN-87	ESSEX COUNTY, NEW JERSEY
02-87-008-03-345	ETA	CETA	19-NOV-86	BOSTON NEIGHBORHOOD DEVELOPMENT
02-85-078-03-350	ETA	OSPPD	08-JAN-87	NATIONAL URBAN LEAGUE
02-86-020-03-360	ETA	DOWP	02-OCT-86	DUTCHESS COUNTY
02-86-055-04-432	ESA	DLHWC	13-FEB-87	LONGSHORE HARBOR WORKERS
02-85-089-04-433	ESA	DCMWC	17-FEB-87	CSC CONTRACT MONITORING
02-87-001-10-101	OSHA	OSHAG	03-OCT-86	MAINE LABOR GROUP ON HEALTH, INC
02-87-007-10-101	OSHA	OSHAG	14-NOV-86	RHODE ISLAND COMMITTEE ON OSHA
02-87-017-10-101	OSHA	OSHAG	08-JAN-87	MAINE AFL-CIO TRISCAN PROJECT
02-86-059-10-105	OSHA	EN/PRG	13-FEB-87	OSHA TRAVEL
02-87-012-10-105	OSHA	EN/PRG	10-MAR-87	TARGETING EMPLOYERS WITH FATALITIES
02-87-013-10-105	OSHA	EN/PRG	30-MAR-87	OSHA ADMINISTRATIVE ACTIVITIES
02-87-014-10-105	OSHA	EN/PRG	17-MAR-87	INAPPROPRIATE PCS REIMBURSEMENT

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FINAL AUDIT REPORTS ISSUED
01-OCT-86 TO 31-MAR-87

AUDIT REPORT NUMBER	AGENCY	PROGRAM	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
02-87-002-98-599	OT AGY	OT AGY	03-OCT-86	LOWELL, CITY OF
03-87-004-03-340	ETA	JTPA	05-FEB-87	VA GOVERNOR'S EMP & TRNG DIV
03-87-005-03-340	ETA	JTPA	20-FEB-87	MONTGOMERY COUNTY, PA
03-87-006-03-340	ETA	JTPA	17-FEB-87	FRANKLIN COUNTY, PA
03-87-007-03-340	ETA	JTPA	17-FEB-87	BALTIMORE, CITY OF
03-87-013-03-340	ETA	JTPA	26-FEB-87	CHARLOTTESVILLE, VIRGINIA
03-87-015-03-340	ETA	JTPA	11-MAR-87	YORK COUNTY, PA
03-85-045-03-345	ETA	CETA	02-OCT-86	APPLIED INSTITUTE FOR MANPOWER MGMT
03-85-048-06-001	MSHA	ADMIN	09-OCT-86	SURVEY
03-86-013-06-001	MSHA	ADMIN	22-JAN-87	INTERNAL REVIEW EFFECTIVENESS
03-86-014-06-001	MSHA	ADMIN	09-JAN-87	MSHA'S HOTLINE
03-86-015-06-001	MSHA	ADMIN	13-FEB-87	GOVERNMENT OWNED VEHICLES
03-87-009-10-101	OSHA	OSHAG	19-FEB-87	VIRGINIA STATE OSHA PLAN
03-86-002-98-599	OT AGY	OT AGY	09-FEB-87	FORM 1099 PAYMENTS TO IRS
03-87-008-98-599	OT AGY	OT AGY	17-FEB-87	LUZERNE COUNTY, PA
04-86-084-02-001	VETS	ADMIN	01-OCT-86	FLORIDA DOL AND EMPLOYMENT SECURITY
04-87-005-02-001	VETS	ADMIN	21-OCT-86	ALABAMA INDUSTRIAL RELATIONS
04-85-070-03-315	ETA	UIS	09-FEB-87	FEDERAL SHARE/UI, MAINE
04-85-073-03-315	ETA	UIS	03-MAR-87	FEDERAL SHARE/UI, MARYLAND
04-85-074-03-315	ETA	UIS	03-FEB-87	FEDERAL SHARE/UI, PENNSYLVANIA
04-85-078-03-315	ETA	UIS	27-MAR-87	FEDERAL SHARE/UI, ILLINOIS
04-85-080-03-315	ETA	UIS	01-OCT-86	FEDERAL SHARE/UI, OHIO
04-85-085-03-315	ETA	UIS	23-FEB-87	FEDERAL SHARE/UI, IOWA
04-85-087-03-315	ETA	UIS	15-DEC-86	FEDERAL SHARE/UI, NORTH DAKOTA
04-85-090-03-315	ETA	UIS	29-OCT-86	FEDERAL SHARE/UI, COLORADO
04-85-095-03-315	ETA	UIS	27-MAR-87	FEDERAL SHARE/UI, CALIFORNIA
04-85-117-03-315	ETA	UIS	15-DEC-86	FEDERAL SHARE/UI, DELAWARE
04-85-119-03-315	ETA	UIS	07-JAN-87	FEDERAL SHARE/UI, FLORIDA
04-86-018-03-315	ETA	UIS	16-OCT-86	UCFE/UCX CHARGES BILLINGS & REIMBUR
04-86-040-03-315	ETA	UIS	25-FEB-87	BENEFIT PMT CONTROL TA - VIRGINIA
04-86-088-03-315	ETA	UIS	01-OCT-86	FLORIDA DEPT OF LABOR
04-87-006-03-315	ETA	UIS	21-OCT-86	ALABAMA INDUSTRIAL RELATIONS
04-87-010-03-315	ETA	UIS	29-OCT-86	MISS EMPL SEC COMM

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04-86-085-03-340	ETA	JTPA	01-OCT-86	FLORIDA DOL AND EMPLOYMENT SECURITY
04-87-004-03-340	ETA	JTPA	09-OCT-86	PIEDMONT COMMUNITY ACTIONS INC
04-87-009-03-340	ETA	JTPA	05-NOV-86	KY DEPT OF EDUCATION
04-87-001-03-345	ETA	CETA	09-OCT-86	LOUISVILLE, CITY OF
04-87-011-03-345	ETA	CETA	03-NOV-86	MIDDLE GEORGIA CNSRT INC
04-87-013-03-345	ETA	CETA	28-OCT-86	NC DEPT NAT RESOURCES
04-87-014-03-345	ETA	CETA	18-NOV-86	NC DEPT NAT RESOURCES
04-87-002-03-355	ETA	DINAP	09-OCT-86	CROW TRIBE OF INDIAN MT
04-87-019-03-370	ETA	OJC	05-DEC-86	NC SOC SER JOB CORPS
04-87-031-05-599	OLMS	OLMS	23-MAR-87	TN. DEPT OF ECON & COMM DEV
04-87-034-05-599	OLMS	OLMS	23-MAR-87	TN. DEPT OF ECON & COMM DEV
04-87-026-06-601	MSHA	GRTEES	10-MAR-87	NORTH CAROLINA DOL FY 85
04-86-086-10-101	OSHA	OSHAG	01-OCT-86	FLORIDA DOL
04-87-025-10-101	OSHA	OSHAG	10-MAR-87	NORTH CAROLINA DOL
04-86-087-11-111	BLS	BLSG	01-OCT-86	FLORIDA DOL
04-87-007-11-111	BLS	BLSG	21-OCT-86	ALABAMA INDUSTRIAL RELATIONS
04-87-027-11-111	BLS	BLSG	10-MAR-87	NORTH CAROLINA DOL FY85
05-87-007-01-001	OSEC	ADMIN	28-NOV-86	MILWAUKEE COUNTY WI COMM REL
05-86-088-03-315	ETA	UIS	09-JAN-87	MICHIGAN EMP SEC COMM
05-86-095-03-315	ETA	UIS	14-JAN-87	ILLINOIS DEPT OF EMP SEC
05-87-001-03-315	ETA	UIS	14-NOV-86	WISCONSIN DOL
05-85-059-03-325	ETA	SESA	18-MAR-87	INDIANA EMP SEC DIV
05-86-044-03-325	ETA	SESA	25-NOV-86	MISSOURI DOL
05-83-173-03-345	ETA	CETA	09-JAN-87	DAKOTA COUNTY CETA HASTINGS MN
05-87-002-03-345	ETA	CETA	07-OCT-86	TIPPACANOE COUNTY CETA
05-87-005-03-345	ETA	CETA	27-OCT-86	EAST ST. LOUIS, ILLINOIS
05-87-008-03-345	ETA	CETA	12-DEC-86	KANSAS CITY, MO
05-87-011-03-345	ETA	CETA	25-NOV-86	MISSOURI EDUCATION
05-87-013-03-345	ETA	CETA	18-MAR-87	OHIO STATE UNIV RESEARCH FOUNDATION

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05-86-018-07-740	OASAM	DPGM	19-FEB-87	PROCUREMENT EXECUTIVE OVERSIGHT
05-86-001-10-001	OSHA	ADMIN	12-DEC-86	OSHA/CARE GENERAL RISK ANALYSIS
05-86-061-98-599	OT AGY	OT AGY	25-NOV-86	WARREN MI, CITY OF
05-87-004-98-599	OT AGY	OT AGY	25-NOV-86	DAYTON, OHIO CITY OF OHIO
05-87-012-98-599	OT AGY	OT AGY	11-JAN-87	DU PAGE COUNTY, ILLINOIS
06-86-591-02-001	VETS	ADMIN	12-NOV-86	STATE OF UTAH
06-86-601-02-001	VETS	ADMIN	16-DEC-86	STATE OF LOUISIANA
06-86-605-02-001	VETS	ADMIN	23-DEC-86	NEW MEXICO EMP SEC DEPT
06-86-611-02-001	VETS	ADMIN	15-DEC-86	TEXAS EMPLOYMENT COMMISSION
06-86-631-02-001	VETS	ADMIN	30-JAN-87	OKLA DEPT OF ECON AND COMM AFFAIRS
06-87-503-02-001	VETS	ADMIN	23-DEC-86	CITY AND COUNTY OF DENVER
06-87-509-02-001	VETS	ADMIN	13-MAR-87	WYOMING, EMP SEC COMMISSION
06-86-589-03-325	ETA	SESA	12-NOV-86	STATE OF UTAH
06-86-596-03-325	ETA	SESA	16-DEC-86	STATE OF LOUISIANA
06-86-602-03-325	ETA	SESA	23-DEC-86	NEW MEXICO EMP SEC DEPT
06-86-609-03-325	ETA	SESA	15-DEC-86	TEXAS EMPLOYMENT COMMISSION
06-86-624-03-325	ETA	SESA	31-OCT-86	OKLAHOMA-DEPT OF VOC AND TECH ED
06-87-507-03-325	ETA	SESA	13-MAR-87	WYOMING, EMP SEC COMM
06-86-590-03-340	ETA	JTPA	12-NOV-86	STATE OF UTAH
06-86-603-03-340	ETA	JTPA	23-DEC-86	NEW MEXICO EMP SEC DEPT
06-86-607-03-340	ETA	JTPA	30-OCT-86	OKLA DEPT OF ECON AND COMM AFFAIRS
06-86-627-03-340	ETA	JTPA	31-DEC-86	TEXAS-ALABAMA-COSHATTA INDIAN RES
06-86-630-03-340	ETA	JTPA	30-JAN-87	OKLA DEPT OF ECON AND COMM AFFAIRS
06-87-505-03-340	ETA	JTPA	05-JAN-87	DALLAS INTER-TRIBAL CENTER
06-87-506-03-340	ETA	JTPA	06-MAR-87	WYOMING DIV OF MANPOWER PLANNING
06-86-595-03-345	ETA	CETA	12-NOV-86	STATE OF UTAH
06-86-606-03-345	ETA	CETA	30-OCT-86	OKLA DEPT OF ECON AND COMM AFFAIRS
06-86-594-06-601	MSHA	GRTEES	12-NOV-86	STATE OF UTAH
06-86-599-06-601	MSHA	GRTEES	16-DEC-86	STATE OF LOUISIANA
06-87-510-06-601	MSHA	GRTEES	17-MAR-87	COLORADO DEPT OF NATURAL RESOURCES
06-87-527-06-601	MSHA	GRTEES	12-MAR-87	ARKANSAS DOL
06-86-593-10-101	OSHA	OSHAG	12-NOV-86	STATE OF UTAH

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06-86-600-10-101	OSHA	OSHAG	16-DEC-86	STATE OF LOUISIANA
06-87-513-10-101	OSHA	OSHAG	12-MAR-87	ARKANSAS DOL
06-86-592-11-111	BLS	BLSG	12-NOV-86	STATE OF UTAH
06-86-598-11-111	BLS	BLSG	16-DEC-86	STATE OF LOUISIANA
06-86-604-11-111	BLS	BLSG	23-DEC-86	NEW MEXICO EMP SEC DEPT
06-86-610-11-111	BLS	BLSG	15-DEC-86	TEXAS EMPLOYMENT COMMISSION
06-86-629-11-111	BLS	BLSG	31-DEC-86	ARKANSAS WORKERS COMP COMM
06-87-501-11-111	BLS	BLSG	31-DEC-86	WYOMING DEPT OF LABOR AND STATS
06-87-508-11-111	BLS	BLSG	13-MAR-87	WYOMING, EMP SEC COMM
06-86-626-98-599	OT AGY	OT AGY	30-JAN-87	TX-HOUSTON-GALVESTON COUNCIL
09-86-016-03-315	ETA	UIS	20-MAR-87	UNEMP COMP FOR EX-SERVICEMEMBERS
09-85-087-03-325	ETA	SESA	01-JAN-87	NEVADA EMP SEC DEPT
09-87-505-03-325	ETA	SESA	07-NOV-86	STATE OF CALIFORNIA
09-87-510-03-325	ETA	SESA	03-DEC-86	WASHINGTON EMP SEC DEPT
09-87-501-03-345	ETA	CETA	28-OCT-86	THURSTON COUNTY, WA
09-87-502-03-345	ETA	CETA	03-OCT-86	SNOHOMISH COUNTY, WA
09-87-515-03-345	ETA	CETA	09-JAN-87	YAKIMA COUNTY, WA
09-86-521-03-355	ETA	DINAP	21-NOV-86	EASTERN WASHINGTON INDIAN CNSRT
09-87-517-03-355	ETA	DINAP	04-FEB-87	INTER-TRIBAL COUNCIL OF NEVADA
09-87-521-03-355	ETA	DINAP	20-FEB-87	LAS VEGAS INDIAN CENTER INC
09-87-503-03-360	ETA	DOWP	28-OCT-86	LOS ANGELES COUNTY
09-87-504-03-360	ETA	DOWP	13-NOV-86	SAN DIEGO COUNTY
09-87-506-03-360	ETA	DOWP	13-NOV-86	EVERETT, CITY OF
09-87-507-03-360	ETA	DOWP	13-NOV-86	NEVADA DEPT OF HUMAN RES
09-87-508-03-360	ETA	DOWP	13-NOV-86	ALASKA DEPT OF ADMIN
09-87-519-03-360	ETA	DOWP	13-FEB-87	WA DEPT OF SOCIAL & HEALTH SERV
09-87-509-03-365	ETA	DSFP	20-NOV-86	KENTUCKY FARMWORKERS
09-87-511-03-365	ETA	DSFP	30-JAN-87	NORTHWESTERN CAP OF WYOMING INC
09-87-514-03-365	ETA	DSFP	05-JAN-87	RURAL EMP OPPORTUNITIES, INC
09-87-520-03-365	ETA	DSFP	18-FEB-87	TELAMON CORP
09-87-522-03-365	ETA	DSFP	10-MAR-87	FLORIDA NON-PROFIT HOUSING INC

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09-85-280-03-370	ETA	OJC	21-OCT-86	INTELCOM EDUCATIONAL SERV, INC
09-86-012-03-370	ETA	OJC	02-FEB-87	INTELCOM INDIRECT COST AUDIT
09-86-015-03-370	ETA	OJC	27-MAR-87	PUERTO RICO JOB CORPS
09-87-001-03-370	ETA	OJC	27-MAR-87	PUERTO RICO TECHNICAL ASSIST
09-86-506-05-520	OLMS	OLMS	31-MAR-87	OLMS PHASE II
09-86-004-07-710	OASAM	COMP	10-MAR-87	FED EMPLOYEES HEALTH BENEFITS
09-87-512-07-741	OASAM	OP	09-JAN-87	COMMUNITY COLLEGES OF SPOKANE
09-87-513-10-101	OSHA	OSHAG	05-JAN-87	NEVADA DEPT OF INDUS REL
09-87-500-98-599	OT AGY	OT AGY	16-OCT-86	CITY & COUNTY OF SAN FRANCISCO
11-86-031-01-080	OSEC	PCEH	09-MAR-87	PRES COUNCIL-EMP OF HANDICAPPED
11-86-060-02-001	VETS	ADMIN	03-OCT-86	VIRGINIA EMP COMMISSION
11-86-063-03-310	ETA	OFCMS	11-MAR-87	MICROCOMPUTER COMPONENTS ACQUI
11-87-007-03-325	ETA	SESA	26-NOV-86	OKLAHOMA DEPT OF VOC & TECH ED
11-87-023-03-340	ETA	JTPA	16-DEC-86	ST. REGIS MOHAWK TRIBE
11-87-024-03-340	ETA	JTPA	16-DEC-86	URBAN INDIAN COUNCIL INC.
11-87-025-03-340	ETA	JTPA	31-DEC-86	ALEUTIAN PRIBILOFF ISLANDS ASSOC
11-87-020-03-345	ETA	CETA	31-DEC-86	AL DEPT OF PENSIONS AND SECURITY
11-87-021-03-350	ETA	OSTP	16-DEC-86	POLARIS R & D
11-87-022-03-350	ETA	OSTP	05-JAN-87	SOUTHERN UNIV-BATON ROUGE CAMPUS
11-86-070-03-355	ETA	DINAP	28-OCT-86	LUMMI BUSINESS COUNCIL
11-86-071-03-355	ETA	DINAP	28-OCT-86	INTER-TRIBAL COUNCIL OF NEVADA
11-87-001-03-355	ETA	DINAP	08-JAN-87	BRISTOL BAY NATIVE ASSOC
11-87-008-03-355	ETA	DINAP	19-DEC-86	EASTERN BAND OF CHEROKEE INDIANS
11-87-010-03-355	ETA	DINAP	02-DEC-86	INTER-TRIBAL COUNCIL OF MICHIGAN
11-87-012-03-355	ETA	DINAP	04-DEC-86	ABENAKI SELF-HELP ASSOC, INC.
11-87-019-03-355	ETA	DINAP	31-DEC-86	ONEIDA TRIBE OF WISCONSIN
11-87-027-03-355	ETA	DINAP	14-JAN-87	SEATTLE INDIAN CENTER

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11-87-028-03-355	ETA	DINAP	20-JAN-87	TANANA CHIEFS CONFERENCE INC.
11-87-030-03-355	ETA	DINAP	25-FEB-87	SAULT STE MARIE CHIPPEWA TRIBE
11-87-011-03-360	ETA	DOWP	02-DEC-86	NEW BRITAIN, CITY OF
11-87-013-03-360	ETA	DOWP	04-DEC-86	JEFFERSON COUNTY COMM, AL
11-87-018-03-360	ETA	DOWP	08-DEC-86	AR AGING & ADULT SERVICES
11-87-026-03-360	ETA	DOWP	31-DEC-86	VIRGIN ISLAND DOL COMM ACTION
11-84-335-03-370	ETA	OJC	25-NOV-86	TEXAS EDUCATION FOUNDATION INC
11-87-033-03-370	ETA	OJC	25-MAR-87	AURORA ASSOCIATES, INC
11-87-034-07-741	OASAM	OP	25-MAR-87	AURORA ASSOCIATES, INC
11-86-024-07-742	OASAM	OCD	26-MAR-87	ANALYTIC SYSTEMS, INC
12-87-002-07-710	OASAM	COMP	31-MAR-87	COMPTROLLER'S OFFICE SYSTEMS REVIEW
15-87-001-07-742	OASAM	OCD	20-NOV-86	ACUMENICS RES PRICING RATES

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ABBREVIATIONS USED IN THIS REPORT

The Regions are:

02	New York
03	Philadelphia
04	Atlanta
05	Chicago
06	Dallas
09	San Francisco
11	Washington
12	Financial Management Audit Division
15	Division of Administration, Benefits and Regulatory Compliance
16	Division of Advanced Audit Techniques

The Agencies are:

BLS	Bureau of Labor Statistics
ESA	Employment Standards Administration
ETA	Employment and Training Administration
MSHA	Mine Safety and Health Administration
OASAM	Office of the Assistant Secretary for Administration and Management
OIG	Office of Inspector General
OLMS	Office of Labor-Management Standards
OSEC	Office of the Secretary
OSHA	Occupational Safety and Health Administration
PWBA	Pension and Welfare Benefits Administration
SOL	Office of the Solicitor
VETS	Veterans Employment and Training Service
DOD	Department of Defense
IRS	Internal Revenue Service
OMB	Office of Management and Budget
USDA	United States Department of Agriculture
USDA	United States Department of Ag

The types of programs audited are:

ADMIN	Agency administration
ADP	Automated Data Processing
ATARS	Assignment Tracking and Reporting Systems
BL	Black Lung
BLSG	Bureau of Labor Statistics Grantees
CCCA	Comprehensive Crime Control Act
CETA	Comprehensive Employment and Training Act
CMSH	Coal Mine Safety and Health
COMP	Comptroller
CPA	Certified Public Accountant
CT/EUW	Multiprogram audits of CETA, SESA, UIS and WIN
DCMWC	Division of Coal Mine Workers' Compensation

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DFEC	Division of Federal Employees' Compensation
DFLSO	Division of Fair Labor Standards Operations
DINAP	Division of Indian and Native American Programs
DIRM	Directorate of Information Resources Management
DIT	Directorate for Information Technology
DLHWC	Division of Longshore and Harbor Workers' Compensation
DMPS	Directorate of Management Policy and Systems
DOL	Department of Labor
DPGM	Directorate of Procurement and Grant Management
DPM	Directorate of Personnel Management
DSFP	Division of Seasonal Farmworker Programs
DOWP	Division of Older Worker Programs
DVOP	Disabled Veterans Outreach Program
EN/PRG	Enforcement Program (OSHA)
ERISA	Employee Retirement Income Security Act
FBI	Federal Bureau of Investigations
FECA	Federal Employees' Compensation Act
FERS	Federal Employees' Retirement System
GMA	Gary Manpower Administration
GRTEES	Grantees
ILA	Internation Longshoremen's Association
ILGWU	International Ladies Garment Workers' Union
IRM	Information Resources Management
JTPA	Job Training Partnership Act
LMRDA	Labor Management Reporting and Disclosure Act
LSHWCA	Longshore and Harbor Workers' Compensation Act
MSFW	Migrant and Seasonal Farm Workers (also see DSFP)
MSHAG	Mine Safety and Health Administration grantees
OA	Office of Accounting (OASAM)
OCD	Office of Cost Determination
OFCCP	Office of Federal Contract Compliance Programs
OFCMS	Office of Financial Control and Management Systems
OI	Office of Investigations
OJC	Office of Job Corps
OLR	Office of Labor Racketeering
OP	Office of Procurement
OPM	Office of Personnel Management
ORMLA	Office of Resource Management and Legislative Assessment
OSHAG	Occupational Safety and Health Administration grantees
OSPPD	Office of Strategic Planning and Policy Development
OSTM	Office of Space and Telecommunications Management
OT AGY	Agency other than DOL
OWCP	Office of Workers' Compensation Programs

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PCEH	President's Council on Employmnet of the Handicapped
PCIE	President's Council on Integrity and Efficiency
RICO	Racketeer Influenced and Corrupt Organization Statute
SESA	State Employment Security Agency
TRA	Trade Readjustment Allowances
UIS	Unemployment Insurance Service
USES	United States Employment Service
UTI	Diversified Transportation Resource
VAN	Value-Added Network
WCBT	Western Conference Benefits Trust
WH	Wage Hour Division
WIN	Office of Work Incentive Programs

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FACT SHEETS HIGHLIGHTS

The OIG has made available the following fact sheets which are part of a series designed to provide general information and guidance to DOL employees and members of the general public.

Fact Sheet No.	Topic
OIG: 86-1	"OFFICE OF INSPECTOR GENERAL"
OIG: 86-2	"REPORTING FRAUD, WASTE and ABUSE"
OIG: 86-3	"ETHICS and INTEGRITY in the WORKPLACE"

If you would like a copy of any of these Highlights, please write to:

U.S. Department of Labor
Office of Inspector General
200 Constitution Ave., N.W., Rm. S-5506
Washington, D.C. 20210

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Room S-5506
200 Constitution Avenue N.W.,
Washington, D.C. 20210.

DEPARTMENT OF LABOR
OIG HOTLINE

357-0227 (Washington Dialing Area)

(800) 424-5409 (Toll Free—outside Washington Area)

The OIG Hotline is open 24 hours a day, 7 days a week to receive allegations of fraud, waste, and abuse. An operator is normally on duty on workdays between 8:15 AM and 4:45 PM, Eastern Time. An answering machine handles calls at other times. Federal employees may reach the Hotline through FTS. The toll-free number is available for those residing outside the Washington Dialing Area who wish to report these allegations. Written complaints may be sent to:

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U.S. Department of Labor
Room S1303 FPB
200 Constitution Avenue, N.W.
Washington, D.C. 20210